DOCUMENT RESUME

ED 212 837 CE 031 320

AUTHOR Greer, David R.; And Others
TITLE Manage the Purchase of Equipment, Supplies, and Insurance. Competency-Based Vocational Education Administrator Module Series. Leadership and Training Series No. 58B-14.
INSTITUTION Ohio State Univ., Columbus. National Center for Research in Vocational Education.
SPONS AGENCY Consortium for the Development of Professional Materials for Vocational Education.
PUB DATE 81
NOTE 83p.; For related documents see CE 031 319-322, ED 164 746-754, ED 204 484-485, and ED 204 487-488. Several figures may be marginally legible.
AVAILABLE FROM National Center Publications, The National Center for Research in Vocational Education, The Ohio State University, 1960 Kenny Rd., Columbus, OH 43210 (LT 58B-14, $5.50).

EDRS PRICE MF01/PC04 Plus Postage.
DESCRIPTORS *Administrator Education; Administrator Responsibility; Administrator Role; Behavioral Objectives; Case Studies; Competence; *Competency Based Education; *Educational Administration; *Educational Finance; Experiential Learning; Higher Education; Insurance; Job Skills; Learning Activities; Learning Modules; Management Development; *Purchasing; *Vocational Education

ABSTRACT

Designed to provide pre- and inservice vocational education administrators with the skills necessary to manage purchase of equipment, supplies, and insurance, this competency-based learning module consists of an introduction and four sequential learning experiences. Each learning experience contains an overview with objectives and required and optional learning activities. The topic covered in the first learning experience is critiquing administrator performance in a given case study in developing an institutional purchasing policy. Analyzing and correcting a given purchasing procedure for correctness and completeness is dealt with in the second learning experience. The third experience entails critiquing administrator performance in a given case study in providing for insurance coverage against casualty losses and liability claims. The final learning experience involves managing the purchase of equipment, supplies, and insurance in an actual administrative situation. An administrator performance assessment form is provided. (Related competency-based vocational education administrator modules covering other skills are available separately--see note.) (YLB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

Leadership and Training Series No. 588-14

ED212837

MANAGE THE PURCHASE OF EQUIPMENT, SUPPLIES, AND INSURANCE

COMPETENCY-BASED VOCATIONAL EDUCATION ADMINISTRATOR MODULE SERIES

Consortium for the Development of Professional Materials for Vocational Education

Robert E. Norton, Consortium Program Director
David R. Greer, Graduate Research Associate
Lois G. Harrington, Program Associate

The National Center for Research in Vocational Education
The Ohio State University
1960 Kenny Road
Columbus, Ohio 43210

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

1981

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

B. Norton

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

The work presented herein was performed by the National Center for Research in Vocational Education on behalf of the Consortium for the Development of Professional Materials for Vocational Education. Sponsors and members of the Consortium for 1979-1980 included the following states and/or cooperating agencies: the Florida Department of Education, Division of Vocational Education, and Florida International University, Division of Vocational Education; the Illinois State Board of Education, Department of Adult, Vocational, and Technical Education, and Southern Illinois University at Carbondale; the New York State Education Department, Office of Occupational and Continuing Education; the North Carolina Department of Public Instruction, Division of Vocational Education; the Ohio State Department of Education, Division of Vocational Education; and the Pennsylvania Department of Education, Bureau of Vocational Education, and Temple University, Department of Vocational Education. The opinions expressed herein do not, however, necessarily reflect the position or policy of any of the sponsors, and no official endorsement by them should be inferred.

These materials may not be reproduced, except by members of the Consortium, without written permission from The National Center for Research in Vocational Education.

THE NATIONAL CENTER MISSION STATEMENT

The National Center for Research in Vocational Education's mission is to increase the ability of diverse agencies, institutions, and organizations to solve educational problems relating to individual career planning, preparation, and progression. The National Center fulfills its mission by:

- Generating knowledge through research
- Developing educational programs and products
- Evaluating individual program needs and outcomes
- Providing information for national planning and policy
- Installing educational programs and products
- Operating information systems and services
- Conducting leadership development and training programs

For further information contact:

The Program Information Office
The National Center for Research in Vocational Education
The Ohio State University
1960 Kenny Road
Columbus, Ohio 43210

Telephone: (614) 486-3655 or (800) 848-4815
Cable: CTVOCEDOSU/Columbus, Ohio

FOREWORD

The need for competent administrators of vocational education has long been recognized. The rapid expansion of vocational education programs and increased student enrollments have resulted in a need for increasing numbers of vocational administrators at both the secondary and postsecondary levels. Preservice and inservice administrators need to be well prepared for the complex and unique skills required to successfully direct vocational programs.

The effective training of local administrators has been hampered by the limited knowledge of the competencies needed by local administrators and by the limited availability of competency-based materials specifically designed for the preparation of vocational administrators. In response to this pressing need, the Occupational and Adult Education Branch of the U.S. Office of Education, under provisions of part C--Research of the Vocational Education Amendments of 1968, funded the National Center for a scope of work entitled "Development of Competency-Based Instructional Materials for Local Administrators of Vocational Education" during the period 1975-77. That project had two major objectives:

1. To conduct research to identify and nationally verify the competencies considered important to local administrators of vocational education.
2. To develop and field test a series of prototypic competency-based instructional packages and a user's guide. One hundred sixty-six (166) high priority competencies were identified and six prototypic modules and a user's guide were developed, field tested, and revised.

While six modules had been developed, many more were needed to have competency-based materials that would address all the important competencies that had been identified and verified. In September 1978 several states joined with the National Center for Research in Vocational Education to form the Consortium for the Development of Professional Materials for Vocational Education. Those states were Illinois, Ohio, North Carolina, New York, and Pennsylvania. The first five states were joined by Florida and Texas later in the first year. The first objective of the Consortium was to develop and field test additional competency-based administrator modules of which this is one.

Several persons contributed to the successful development and field testing of this module on managing the purchase of equipment, supplies, and insurance. David R. Greer, Graduate

Research Associate, assumed the major responsibility for reviewing the literature and for preparing the actual manuscript. Special recognition also goes to James Sullivan, Professor, Department of Vocational Education Studies, Southern Illinois University, Carbondale, Illinois, who helped conceptualize the module and prepared draft materials for the manuscript; and to Walter Hack, Professor, Academic Faculty of Educational Administration, The Ohio State University, Columbus, Ohio, who helped conceptualize the module, review draft materials, and coordinate its development with the three other modules dealing with financial matters.

Acknowledgement is given to the three official reviewers who provided critiques of the module and suggestions for its improvement: Carl V. Gorman, Associate Professor, Vocational Education, Kent State University, Kent, Ohio; Rex C. Toothman, Director, Teacher Education Center Activities, College of Education, University of South Florida, Tampa, Florida; and William J. Boudreau, Supervisor of Occupational Education, Bureau of Occupational Education Program Services, State Education Department, Albany, New York.

Credit goes to Lois G. Harrington, Program Associate, who helped to refine the module for publication after field testing; and to Robert E. Norton, Consortium Program Director, for providing program leadership and content reviews. Thanks go to Ferman B. Moody, Associate Director for Personnel Development, for his administrative assistance.

Appreciation is also extended to Calvin Cotrell, James Haire, George Kosbab, Helen Lipscomb, Aaron J. Miller, Dominic Mohamed, Robert Mullen, James Parker, Dale Post, Wayne Ramp, and Kenneth Swatt for their service as state representatives, state department contacts, and field-test coordinators; and to the other teacher educators and local administrators of vocational education who used the modules and provided valuable feedback and suggestions for their improvement. Last, but certainly not least, thanks and credit are due Deborah Linehan, Consortium Program Secretary, for her patience and expert skill in processing the many words necessary to make this module a high-quality document.

Robert E. Taylor
Executive Director
The National Center for Research
in Vocational Education

INTRODUCTION

In these times of rising prices, dwindling resources, and increasing taxpayers' scrutiny of how their funds are spent, it is more important than ever that vocational education administrators spend money so as to obtain the best value for the least cost. The ability to do this is not just an art; it is a systematic approach that can be learned. Competency can be developed in this area through reading, thought, and practice.

An institution can choose from several alternative ways to manage purchasing activities, depending on the degree of centralization of purchasing authority desired. Regardless of the system it uses, however, the institution needs to establish, and publish, a clear statement of purchasing policy. This policy should then be supplemented by a complete set of specific procedures. Consequently, the learning experiences that follow will deal extensively with not only the content of these policies and procedures, but also the steps you need to follow in establishing and enforcing them.

The process of purchasing (or procurement, as some persons prefer to name it) is one of the final steps in a sequence of actions, all devoted to ensuring that public money is well spent. The sequence begins when vocational educators, using advice from citizens, develop objectives for their institution's programs and devise methods to attain these objectives. Through the budgeting process, they allocate funds and other resources to support these activities, primarily by (1) hiring people with the necessary skills, and (2) acquiring materials, some that are used directly in the classroom, lab, or shop, and others that sustain the day-to-day operation of the institution. Once needed funds are appropriated, it is then the responsibility of instructors and administrators to actually buy these items--the right products, of the right quality, in the right quantity, at the right time, and at the right price. Finally, education officials have a responsibility to maintain accountability over these items, through inventory control, security, resource conservation, maintenance, and wise use.

This module is designed primarily to deal with that part of the process that begins when an administrator or instructor "wants something" (submits a requisition), and ends when the desired products (supplies, equipment, or educational materials) are delivered, paid for, and entered into the inventory records. In addition, the module will present information on insurance, for two reasons. First of all, insurance itself is a major acquisition that should be procured using many of the same

principles that apply to other purchases. Second, insurance represents a major means by which the institution can protect itself against various types of loss, and thereby ensure that the money spent to purchase items will not be wasted.

Module Structure and Use

This module contains an introduction and four sequential learning experiences. Overviews, which precede each learning experience, contain the objectives for each experience and a brief description of what the learning experience involves.

Objectives

Terminal Objective: While working in an actual administrative situation, manage the purchase of equipment, supplies, and insurance. Your performance will be assessed by your resource person using the "Administrator Performance Assessment Form," pp. 81-84. (Learning Experience IV)

Enabling Objectives:

1. After completing the required reading, critique the performance of an administrator in a given case study in developing an institutional purchasing policy. (Learning Experience I)
2. After completing the required reading, analyze and correct a given purchasing procedure for correctness and completeness. (Learning Experience II)
3. After completing the required reading, critique the performance of an administrator in a given case study in providing for insurance coverage against casualty losses and liability claims. (Learning Experience III)

Resources

A list of the outside resources that supplement those contained within the module follows. Check with your resource person (1) to determine the availability and the location of these resources, (2) to locate additional references specific to your situation, and (3) to get assistance in setting up activities with peers or observations of skilled administrators.

Learning Experience I

Optional

- COPIES OF STATE LAWS, REGULATIONS, OR EDUCATION DEPARTMENT GUIDELINES relevant to purchasing policies, which you can examine.

Learning Experience II

Optional

- A COPY OF THE PURCHASING PROCEDURES HANDBOOK used by an educational institution, which you can examine.

Learning Experience III

Optional

- AN ADMINISTRATOR experienced in the purchasing of insurance whom you can interview.

Learning Experience IV

Required

- AN ACTUAL ADMINISTRATIVE SITUATION in which, as part of your duties, you can manage the purchase of equipment, supplies, and insurance.
- A RESOURCE PERSON to assess your competency in managing the purchase of equipment, supplies, and insurance.

Selected Terms

Administrator--refers to a member of the secondary or postsecondary administrative team. This generic term, except where otherwise specified, refers to the community college president, vice-president, dean, or director; or to the secondary school principal, director, or superintendent.

Board--refers to the secondary or postsecondary educational governing body. Except where otherwise specified, the term "board" is used to refer to a board of education and/or a board of trustees.

Institution--refers to a secondary or postsecondary educational agency. Except where otherwise specified, this generic term is used to refer synonymously to secondary schools, secondary vocational schools, area vocational schools, community colleges, postsecondary vocational and technical schools, and trade schools.

Resource Person--refers to the professional educator who is directly responsible for guiding and helping you plan and carry out your professional development program.

Teacher/Instructor--these terms are used interchangeably to refer to the person who is teaching or instructing students in a secondary or post-secondary educational institution.

User's Guide

For information that is common to all modules, such as procedures for module use, organization of modules, and definitions of terms, you should refer to the following supporting document:

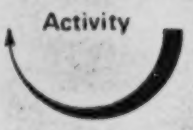
> Guide to Using Competency-Based Vocational Education Administrator Materials. Columbus, OH: The Center for Vocational Education, The Ohio State University, 1977.

This module addresses task statement numbers 152-154 and 162-165 from Robert E. Norton et al., The Identification and National Verification of Competencies Important to Secondary and Post-Secondary Administrators of Vocational Education (Columbus, OH: The Center for Vocational Education, The Ohio State University, 1977). The 166 task statements in this document, which were verified as important, form the research base for the National Center's competency-based administrator module development.

Learning Experience I

OVERVIEW

After completing the required reading, critique the performance of an administrator in a given case study in developing an institutional purchasing policy.



You will be reading the information sheet, "A Purchasing Policy: What It Contains and How You Prepare One," pp. 9-16.

You may wish to obtain a copy of relevant state laws, regulations, or education department guidelines regarding purchasing policies, and to examine them for provisions that would affect local policy development.

You will be reading the "Case Study," pp. 19-21, and critiquing the performance of the administrator described.

You will be evaluating your competency in critiquing the administrator's performance in developing an institutional purchasing policy by comparing your completed critique with the "Model Critique," pp. 23-24.

For information about the contents and purpose of a purchasing policy, and how to prepare or revise one, read the following information sheet.

A PURCHASING POLICY: WHAT IT CONTAINS AND HOW YOU PREPARE ONE

The purchasing policy is the general statement of principles and standards, approved by the institution's board, that governs all purchasing activities. A properly drafted policy statement establishes general guidelines related to purchasing. Based on these overall guidelines, the administration can then develop specific procedures for carrying out the board's purchasing policies. This approach is consistent with the accepted doctrine that the board adopts policies, while administrators carry them out within the authority delegated by the board. Taken together, the policies and procedures make up a purchasing handbook, which should be made available, either in whole or in part, to every person within the institution who might be involved with purchasing actions.

Policy Contents

This information sheet deals with only the policy aspects of purchasing. Let us begin by looking at the contents of a typical purchasing policy. Some of the usual sections contain statements covering (1) purpose, (2) roles and relationships of institutional personnel, (3) bidding criteria, (4) decision rules for awarding contracts, (5) ethical standards, and (6) general procedural guidelines.

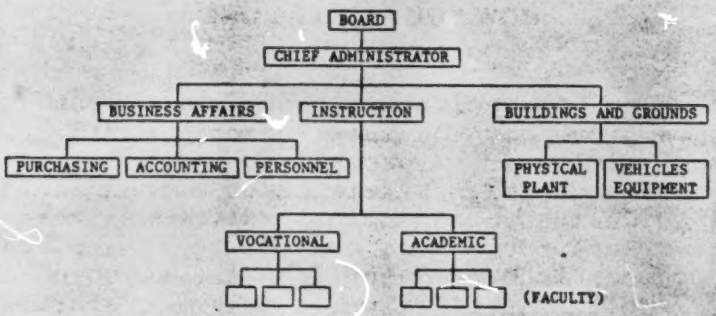
General purpose. This section should state that the policy (1) was adopted by the board on a certain date, (2) constitutes official doctrine that applies to everyone within the institution, and (3) may be further supplemented by specific rules of procedure developed by the administration within its authority. It should also describe how the remainder of the policy document is organized, and note any references (state law, board resolutions, federal regulations) that serve as a basis for the policy standards. (These references can also be listed with each specific provision to which they apply.)

Roles and relationships of institutional personnel. This will probably be one of the longer sections of the policy document. One way to give a quick overview of this subject is to present an organizational chart with a brief listing of duties similar to the one shown in sample 1. Note that these duty

SAMPLE 1

ORGANIZATIONAL CHART OF PURCHASING RESPONSIBILITIES

General Overall Plan:



Detail--Purchasing Roles Only:

BOARD

Appoints chief administrator
Approves budget
Approves purchase policy and procedures
Approves purchases requiring bids

CHIEF ADMINISTRATOR

Carries out board policy on purchasing, disbursements, and accounting
Recommends bid purchases and vendors

BUSINESS AFFAIRS

PURCHASING

1. Receives requisitions
2. Develops specifications
3. Bids items
4. Writes purchase orders
5. Files encumbrances with accounting
6. Follows through on purchases
7. Files receiving reports
8. Submits invoice vouchers to accounting for payment
9. Enters items on inventory

ACCOUNTING

1. Records encumbrances
2. Maintains fiscal records and reports
3. Prepares payments

descriptions are still general. Specific instructions for handling the flow of paper work related to purchasing should not be covered here, but rather in the procedures part of the handbook.

However, this section of the policy statement should contain detailed statements about the authority delegated to each level of administration. For example, the purchasing agent or director might be given authority to personally approve any purchase order worth $2,000 or less. The assistant superintendent/vice-president for business and administration might have the authority to enter into purchase contracts for $2,001 through $10,000. Finally, all purchases worth more than $10,000 might require the approval of the board, upon the recommendation of the chief administrator (superintendent/president). Alternatively, the board might decide that certain routine purchases need not be handled by the purchasing office at all. It could, therefore, delegate certain specific powers to the cafeteria or bookstore managers, for example. In addition, the board could reserve decision-making power over some purchases, regardless of value, e.g., motor vehicles, insurance, or consulting contracts.

This section should also state that, although the management of purchasing is important, the administrators with purchasing responsibilities should not lose sight of the overall mission of the institution. Purchasing activities should support and facilitate the educational program, never supplant or hinder it.

Bidding criteria. Specific policies--in the form of broad criteria--should be set forth in this section about the conditions under which competitive bids must be sought. These criteria could be based on the dollar value of the purchases (similar to the authority limits cited above), on the nature of the purchase (e.g., real estate, computers, insurance, advertising brochures), the length of the contract period, or any other relevant factors. In some cases, the board might require that its approval be sought even before bids are solicited, as well as after the vendor is selected.

Decision rules for awarding contracts. Whether prices are solicited through a formal, sealed bid procedure, or by using an informal request for quotation, the institution should state on what basis it decides to whom it will award purchase contracts. The lowest price is the usual standard. However, other factors should be carefully considered, and the policy statement should not only disclose these factors, but also indicate the relative ranking or weight given each in reaching decisions. These factors might include items such as the following:

- Quality of the bidder's product
- Extent to which the proposed item meets all important or relevant specifications

- Ability of the bidder to deliver the materials and provide maintenance or warranty services
- References from the bidder's other customers or clients
- The bidder's general reputation and responsibility as shown by past performances

Ethical standards. The board can do much to earn public trust and confidence by making forthright, enforceable declarations about the ethical standards it expects all members of the institution to maintain during their performance of purchasing duties. Not only do such statements reassure the general public, but they also give notice to potential bidders that quality, service, and price are the most important considerations, not flattery, sociability, jovial friendliness, or favoritism. Such standards should attract reputable businesspersons and inform them that all honest vendors have an equal opportunity to transact business with the educational organization.

This section should also include specific references to other documents in which these ethical principles can be found. For example, your state may have an ethics commission, or certain parts of the state legislative code might address conflict-of-interest and related situations. Also, the National Association of Purchasing Management (NAPM) has formulated ethical principles, including some of those shown in sample 2.

General procedural guidelines. Finally, the policy statement could include any additional statements of principle that the board feels are important in establishing the overall tone or nature of purchasing activities, and that will further guide the development of specific procedures within the purchasing handbook. These might be such concepts as the following:

- Consider first the interests of the educational institution.
- Buy without prejudice, using an acceptable specification as the basis for the purchase.
- Seek to obtain the maximum value for each expenditure.
- Seek the truth in buying, and avoid showing favoritism to specific vendors.
- Operate all purchasing activities as a service to the remainder of the institution. Consider the professional judgment of educators in assessing purchase options.
- Develop technical knowledge about the products and services being purchased by the institution, including not only their physical and economic qualities, but also their role in the education process.

SAMPLE 2

ETHICAL GUIDELINES

All purchasing employees, and all other institutional personnel authorized to conduct purchasing activities, shall adhere to these principles and standards. Each employee is involved in the expenditure of public funds and is held to the highest degree of public trust. No employee shall engage in or permit any illegal or improper purchasing practices, including but not limited to the following:

- Submission of equal bids involving collusion
- Submission of rotated bids involving collusion
- Kickbacks or rebates
- Conflicts of interest--These exist when any personal interest, financial or otherwise, is present.
- Acceptance of gratuities, gifts, or entertainment by institutional personnel
- Participation in any community of financial interest with bidders
- Any practice that seems to eliminate competition or restrain trade
- Meetings with vendors outside of usual business hours or offices

Further, any employee having knowledge of any of these practices or of other unethical or illegal conduct by any employee shall immediately report this knowledge to _____. Engaging in or permitting unethical or illegal conduct, or the failure to report such conduct, constitutes grounds for disciplinary action, including possible termination of employment, and/or criminal prosecution.

If a purchasing employee is requested to do anything that he or she has cause to believe is illegal, unethical, or improper, he/she shall immediately bring it to the attention of _____.

Reference: Section _____ of the (state) Revised Code

SOURCE: Adapted, in part, from principles set forth by the National Association of Purchasing Management.

- Encourage the purchasing staff to participate in professional improvement activities--including additional formal education, inservice training, or related civic activities--and to seek certification or recognition by appropriate professional organizations. Reward staff for participation and accomplishments.
- Give preference to local businesses and industries, where possible within prevailing criteria of price, quality, and service (i.e., all other things being equal).
- Solicit business from firms owned or managed by persons of minority status--within these same criteria of price, quality, and service--and encourage or help them to meet institutional purchasing qualifications. (This is a constructive or developmental "affirmative action" policy to help such firms compete, not to give them unfair advantage to win bidding contests.)

Policy Development Methods

Now that you are aware of the basic contents of a purchasing policy, you should turn your attention to the process by which such a policy can be developed. This approach will apply equally well to the process of drafting specific procedures, also. In fact, it can serve you adequately whenever you develop a policy and procedure document for any administrative area, not just purchasing.

Existing practices. A good place to begin is with your institution's current set of practices. In effect, you should collect some data about present methods used, or those that have established clear precedent. This type of research obviously can be helpful to you if you have recently joined the institution, or have just received a new assignment that includes purchasing responsibility. However, it is equally useful even if you have been involved with these activities for a long time. Often, in these cases, people's methods have gradually changed. Or, situations have changed, but new methods have not yet been developed in response. Or, some persons would like to improve their ways of performing some tasks, but are afraid to proceed without authorization. By asking new questions, not taking anything for granted, and seeking fresh ideas, you can use this step of policy and procedure development as a stimulus for initiating necessary change.

Among the questions you should ask yourself and others as you study current practices are the following:

- What is your role in the purchasing process?
- What tasks do you perform within this role?

- With whom must you interact to accomplish these tasks?
- Where do you get the information you need to function effectively?
- Why do you use the particular methods you do?
- Are changes needed? Can they be accomplished in an educationally sound manner?

Existing rules. Once you have developed a complete and accurate picture of how things are done in reality, you should next search available institutional documents to see how things are supposed to be done. That is, you should study the minutes of board meetings, faculty/administrative rules, handbooks, operating manuals, and so on. This process will probably reveal some areas in which actual practices depart from policy, policy statements do not cover some activities, or the policy documents have fallen out of date.

Next, you should expand your search, looking beyond the boundaries of the institution for other sources of official policy. State law and the regulations published by your state department of education are good places to begin. If your institution has received some type of federal aid (grant or contract), you should check for rules associated with that program, or look for general provisions in the Federal Register. In addition, you might want to examine the guidelines of NAPM or other purchasing and business/professional societies.

"Idea shopping." After you have this broad perspective of what is and what ought to be, you could benefit from informal comparisons with colleagues in other organizations to discover how they carry out purchasing activities. Although you would be most interested in the functions of other educational institutions, you might also benefit from learning about practices in such other firms as service businesses, small industries, hospitals, social service agencies, or certain nonprofit organizations. Developing friendships with other purchasing managers through membership in service clubs, professional associations, or civic groups is one way to promote the contacts that make this type of information-sharing possible. Another way is by attending conferences or career development workshops in this area, whether sponsored by a professional association or a government agency.

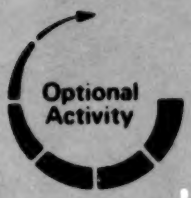
Drafting the policy. Finally, it is time to sit down and draw all these ideas together into a comprehensive, accurate, but flexible document. This task will be easier if you include several of those faculty and administrators who are most likely to be affected by the policy, or those who have shown an interest in this project. Their presence will ensure that the areas involved

have an opportunity for input, and they can help you decide among alternative approaches having different sets of advantages and limitations. In addition this approach will give them a feeling of ownership in the process, thereby facilitating the implementation process that comes later. You should also employ legal assistance at this point--if you haven't already done so when you were researching state and federal laws. An attorney can help ensure that the policy statements you draft are clear, well defined, within present statutory limitations, and enforceable.

Policy approval. Another important step of the policy development process is to secure approval of the document by the institution's governing board. If you are not the chief administrator yourself, then you will need to route your finished draft through him/her to the board; perhaps the administrator will wish to ask key staff members to give the policy a final review before the board acts on it officially.

Dissemination and evaluation. Once approved, the policy should be disseminated widely throughout the institution, with copies being distributed to all persons affected by it, and a copy being available for review by any interested person. And, of course, you need to be continuously attentive to future needs for evaluation and revision of the policies. You cannot expect them to be valid for all time. You should, in fact, establish a routine reexamination of the new policies a few months after they have been fully implemented (the "shakedown" or "break in" period), and then at fixed, longer intervals thereafter, e.g., every two years.

Through your careful application of knowledge, practice, and effort, you and your institution should now be able to examine, revise, and formalize your policies pertaining to purchasing. These policies, in turn, will ultimately help you ensure that the institution's funds are spent wisely to obtain the best value at the lowest cost.



You may wish to obtain a copy of any state laws, regulations, or education department guidelines regarding purchasing policies. In reviewing these documents, you should ask the following types of questions:

- Do these regulations provide specific guidance concerning the form local policy should take?
- Do local institutions have wide latitude in deciding how to conduct purchasing activities?
- Is assistance available to local administrators as they seek to develop or improve purchasing policies?
- Must the appropriate state agency approve board policies? Will they provide a constructively critical review of proposed policies?

The following "Case Study" describes how a vocational education administrator developed a purchasing policy for his institution. Read the situation described, and critique in writing his performance, including both the manner in which he accomplished the task and the quality and contents of the resulting document.

CASE STUDY

Frank Montagna joined the Fair Oaks Area Vocational School (FOAVS) last fall as its second director of business services. (His predecessor, Albert Wheeler, had served in this capacity since the school was chartered seven years ago.) Frank's immediate supervisor is the superintendent, Dr. Jones, who told him when he took the job that he wanted him to feel free to make whatever policy and procedure changes he felt were necessary to streamline the business and administrative operations of the school, subject to the limitations of authority delegated by the board.

After considering some of the characteristics of the school (the size of the faculty, staff, and student body, plus the diversity of vocational specialty programs) and the size of his own staff, Frank concluded that the school could function best with a rather decentralized purchasing system. Since this would grant significant buying authority to the directors of each administrative office or vocational service area, he realized that the school needed a policy to guide and unify these activities.

His first step was to discover what rules already were "on the books." He read closely the teacher's handbook, the staff operating manual, and the minutes of the board of trustees for the last seven years. Then, broadening the search further, Frank studied the guidelines accompanying a federal grant the school had received last year, and asked his college friend, Barry Ryster (now practicing law in the town where Fair Oaks is located), to check applicable state laws for him.

Finally, Frank made purchasing the topic of his luncheon table conversation at the next several Kiwanis club meetings, and attended a seminar on this topic at the state vocational association meeting. By late January, Frank was ready to collect his notes and write down a new policy, drawing from the strengths of all those he had studied, and complying with local, state, and federal laws where appropriate. After a long weekend at the dictating machine, and a few more evenings revising his drafts, he presented a polished, succinct document to Dr. Jones and

asked that it be presented to the board for approval at their next meeting in three weeks.

Before submitting it to the board, Dr. Jones shared the proposed policy with the vocational service area directors and his administrative staff. Several of them sought clarification of some key items, and two of them were rather disturbed at the strictness of some of the requirements. With a groan, Frank did some more revising, checking out his ideas with his colleagues, and again sent the draft to the board via Dr. Jones.

This time the document sailed through without comment. It was then printed in final form and distributed to all persons already having a copy of either the teacher's handbook or the staff operating manual. Two months later, Frank visited several of the persons most affected by the policy, asking them for their reactions, their experiences with the new provisions, and their suggestions for improvement. Since their recommendations were minor, he filed them for the time being, with the intention to repeat the evaluation process more formally next March, one year after the policy was adopted.

On the next page are the introductory section and the table of contents of the policy as they were <u>first</u> presented to Dr. Jones (before revision).

INTRODUCTION

This document represents the official policy of the Fair Oaks Area Vocational School District in all matters of purchasing. It applies equally to board members, administration, faculty, and staff, who are bound to observe carefully and follow faithfully all its provisions, both in detail and in the spirit of its intent. This policy may be amplified and implemented by specific procedural rules established under the authority of the superintendent, so long as they are consistent with the principles contained herein. The reader's attention is directed further to the numerous citations following each specific policy statement, because they refer to those particular provisions of applicable federal, state, local, or professional law and practice upon which these policies are based.

TABLE OF CONTENTS

I. Introduction (quoted above)

II. Key Personnel

- A. List of duties
- B. Reporting requirements
- C. Items requiring board approval

III. Policies Governing Bidding

IV. Distribution of Copies of Purchase Order Forms

V. Declaration of Fair Practices and Ethical Expectations

VI. Schedule of Purchasing Deadlines

Compare your completed written critique of the "Case Study" with the "Model Critique" given below. Your response need not exactly duplicate the model response; however, you should have covered the same major points.

MODEL CRITIQUE

Policy Development Process

Frank Montagna certainly undertook his policy establishment/revision process with enthusiasm and energy, but his fervor caused him at the outset to overlook some obvious resources--his colleagues and staff. These persons were already involved in purchasing actions at FOAVS and could, therefore, share with him their experience, comments, and ideas for improvements. Nevertheless, his search for information was otherwise thorough, and he wisely sought legal assistance at this stage. In talking with friends from other institutions and from the business world in general, he also gathered some good and useful information.

When he sat down to draft the policy, Frank made the same mistake as before. He didn't consult his peers soon enough; even the aid of his lawyer friend would have been helpful at this stage. Eventually, of course, he worked more closely with them, and he appears to have learned his lesson since he solicited their comments after the new policies had undergone the "shakedown" period.

Other jobs he did well were the dissemination of the policy once adopted, and his recognition that both the superintendent and board should review and approve the policy document.

Policy Content

The introductory section is fairly complete and well worded. It states the applicability of the policy, refers to specific procedure documents that might be developed later, and places itself in reference to governmental laws, professional standards, and other institutional policies. Perhaps it could have been strengthened by adding a sentence or two showing that the policy was indeed adopted by the board and became effective on a particular date. Also, there could have been some general philosophical statement of purpose saying that the school intends to acquire items and services of the greatest value at the best price, that it desires to treat all businesspersons fairly, and that it recognizes its role as steward of public funds, etc.

The table of contents reveals a few errors in policy contents. For example, section II should probably have also included an organizational chart to supplement part A (list of duties), and a part D should have been included to specify the different levels of purchasing authority held by Dr. Jones, Mr. Montagna, other administrators, vocational service area directors, etc., especially since purchasing authority was being somewhat decentralized.

Section III on bidding policies certainly belongs in the document. It should be supplemented, however, by another section stating on what basis all purchasing decisions are made, not just those involving bids.

Finally, the sections on distribution of purchase order copies and purchasing deadlines (sections IV and VI) are not appropriate for a general policy document. They refer more properly to specific procedural rules--the how and when of administration and management--rather than to the general who and why of an institutionwide policy statement. Moreover, they are likely to change more often and are not as sweeping in their effects.

Level of Performance: Your completed written critique should have covered the same major points as the "Model Critique." If you missed some points, or have questions about any additional points you made, review the material in the information sheet, "A Purchasing Policy: What It Contains and How You Prepare One," pp. 9-16, or check with your resource person if necessary.

Learning Experience II

OVERVIEW

After completing the required reading, analyze and correct a given purchasing procedure for correctness and completeness.

You will be reading the information sheet, "Controlling the Steps of the Purchasing Cycle," pp. 27-50.

You may wish to obtain a copy of the purchasing procedures handbook of an educational institution, and to examine it for applications of good purchasing program design.

You will be reading the "Case Situation," pp. 53-57, analyzing a given purchasing procedure, and providing additional or corrected elements for that procedure.

You will be evaluating your competency in analyzing and correcting a purchasing procedure by comparing your completed analysis with the "Model Analysis," pp. 59-60.

Activity

For information about how to control purchasing actions from start to finish, read the following information sheet.

CONTROLLING THE STEPS OF THE PURCHASING CYCLE

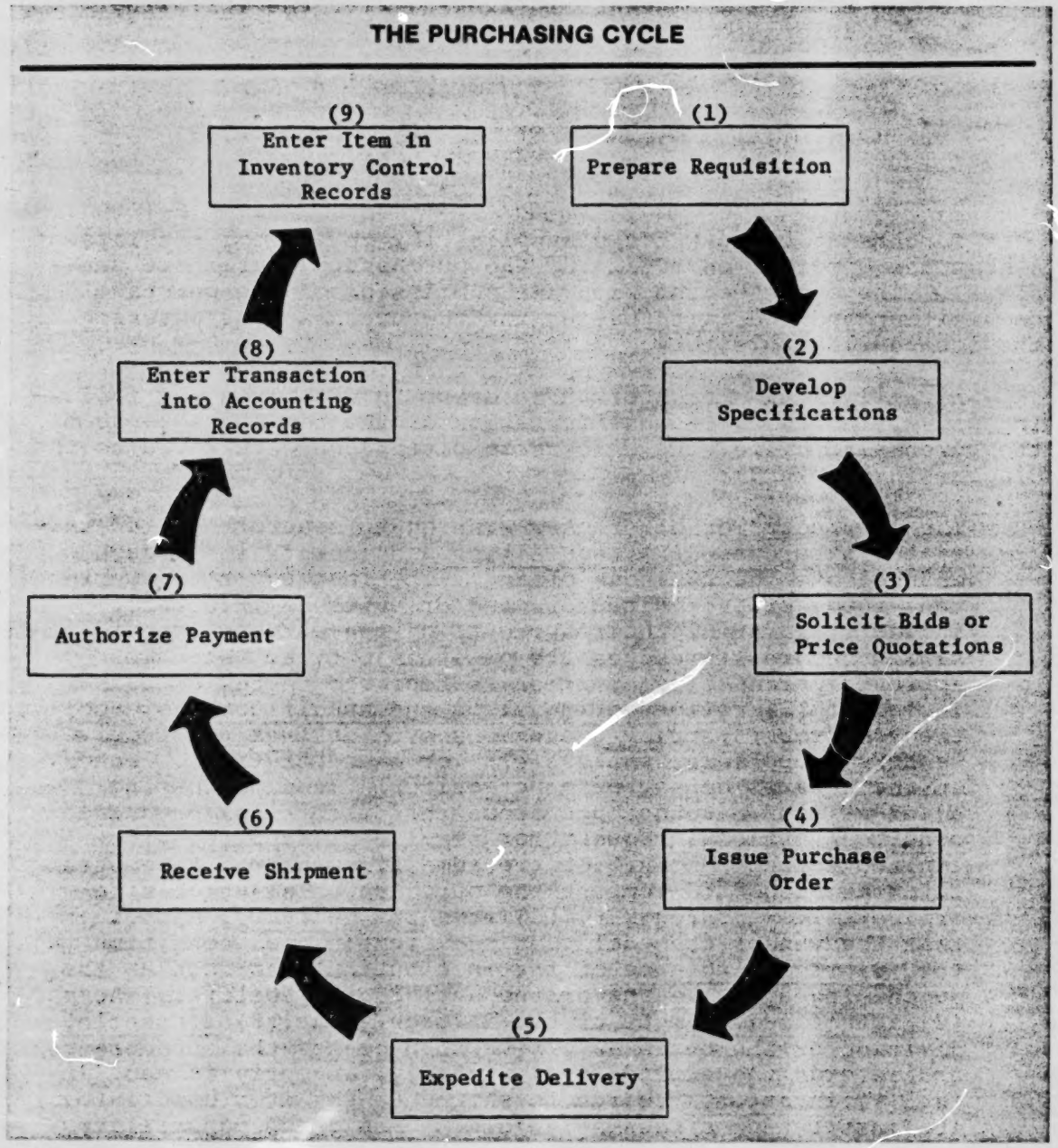
Purchasing equipment and supplies for the school consists of a sequence of steps that make up the purchasing cycle (see sample 3). The cycle begins with the submission of the purchase requisition and ends with paying for the purchase and entering the item on the inventory.

We will examine each of these steps in detail on the following pages. However, let us first look at the normal sequence of the purchasing cycle (the numbers in parentheses are keyed to the diagram in sample 3):

> The instructor or other user wishing to secure the item initiates a purchase (1) requisition and submits it through channels to the business office. The instructor's department head, project director, and/or chief administrator indicate, in turn, their approval of the purchase requisition before it reaches the business office. When an approved purchase requisition is received there, a purchasing agent (2) refines or develops the specifications, and then secures (3) price quotations or bids from prospective vendors (suppliers, wholesalers, or manufacturers). Based on the best price and/or other criteria, the purchasing agent selects a vendor and sends that firm a (4) purchase order, an official request for service or supplies with implied intent to pay. At the same time, he/she encumbers funds as needed to support the purchase. The purchasing office follows through to (5) expedite delivery, assuring that the vendor then delivers the item in good condition to the (6) receiving area of the institution. As soon as the purchasing agent learns of the satisfactory delivery, he/she (7) authorizes payment of the invoice. The (8) accounting division of the business office then clears the encumbrance and records the expenditure. Finally, an entry is made in the (9) inventory records to show when the item came into the institution's possession and to assign responsibility for its use, care, or consumption.

The details of the purchasing cycle may vary some from institution to institution, but those portions of it ensuring that a proper purchase will be made (i.e., ensuring that the item is bought at the lowest all-around cost, authorized by purchase

SAMPLE 3


THE PURCHASING CYCLE
(1)
Prepare Requisition
(2)
Develop Specifications
(3)
Solicit Bids or Price Quotations
(4)
Issue Purchase Order
(5)
Expedite Delivery
(6)
Receive Shipment
(7)
Authorize Payment
(8)
Enter Transaction into Accounting Records
(9)
Enter Item in Inventory Control Records

order, received in good condition, and then paid for by the institution) must be present. This cycle, properly followed, keeps the person requesting an item informed and assures the administration that the policy and procedures for purchasing have been followed.

If yours is a smaller instititution, many of these duties will be carried out by only a few persons, or even just one (the business officer or perhaps the chief administrator him/herself). In this case, not all of the forms or approval channels herein described will be required, but the same orderly, methodical, and impartial approach must be observed.

One important way in which this cycle varies is in the degree of centralization of the authority to carry out its particular steps. Maximum centralization requires that all purchases be approved by the board, regardless of size. At the opposite extreme, purchasing authority can be delegated to anyone within the institution--secretary, instructor, custodian, business officer, counselor, etc.--who needs materials and to whom funds have been allocated. The intermediate approach involves the establishment of a central purchasing office, which serves all those wanting to buy items, and which alone has the authority to obligate the institution in purchase contracts. Even with this method, the governing board may reserve for itself final approval authority for certain major purchases. This information sheet is primarily oriented toward this latter method.

Many of the reasons for centralizing the purchasing function under the direction of a single purchasing manager, or as few administrators as possible, relate to the development of the needed expertise and experience. Specifically, such an arrangement allows a centralized purchaser to maximize the necessary variables of quality, quantity, time, source, and price as follows:

- Quality--A centralized manager can purchase standardized products that are uniform and interchangeable. Being familiar with manufacturers and suppliers, he/she knows what types of products are available, and can conduct "value analysis"--a determination of what alternate products at lower cost might be available to perform the same function as the requested item. Of course, there are difficulties associated with standardization, requiring negotiation and human relations skills to persuade users sometimes to give up their favorite brands, models, or sizes for the sake of economy.
- Quantity--A central office that monitors supply inventory and demand levels is less likely to build up an inefficient surplus of items, and more likely to

anticipate shortages, thus avoiding expensive rush orders. A centralized office is also better able to take advantage of quantity discounts and to save delivery charges by being able to accept truckload, palletized, or case lots.

- Timing--A unified purchasing office can effectively maintain a "tickler file" that reminds administrators and instructors when to order materials throughout the year. An experienced purchaser also knows how to avoid the vendors' rush seasons, thereby both lowering costs and assuring prompt delivery. He/she is also more likely to initiate purchases with enough lead time to avoid delays in receiving needed items.
- Source--As a single point of contact for sales representatives, a central purchasing officer is in a better position to compare vendors with regard to product quality, service, reliability, promptness, and general business reputation.
- Price--By knowing market trends and the alternatives available, a centralized purchasing administrator is better able to select the most economical product from the least expensive vendor at the most advantageous time. Furthermore, since fewer offices handle the invoices, cash discounts can often be secured through speedy payment of bills.

Of course, variations from the "ideal" purchasing cycle also occur when there are difficulties in finding a lowest cost vendor to supply the right product, when there are discrepancies in quantity or quality, and when delivery dates are delayed. It is then that the purchasing department must request additional information from the sources of supply, or ask for further instructions from the person in the school wanting the item. At these times when the orderly routine of making a purchase is interrupted, certain decisions must be made. The institution must decide which of the following actions to take:

- Find alternate sources of supply.
- Cancel the order.
- Rebid the item.
- Change specifications.
- Delay the time when the item was to have been received.
- Return merchandise that has been damaged in shipment or is inferior in quality.

Some of these exceptional, irregular, or nonroutine procedures will be described later, but first we need to discuss the ideal or most desirable way to carry out these actions.

Let us examine each of these general steps of the "normal" purchasing cycle in more detail. First, you should remind yourself of one point. Your objective as an administrator is to be able to control purchasing, whether you actually perform the various purchasing tasks yourself or hire a staff to perform them. Thus, you need to be certain that everyone within the organization is following the same set of instructions. This brings us to the importance of published procedures--procedures that many persons had a role in developing, procedures that all interested parties understand, and procedures that are stable and resistant to change. Such procedures (1) offer some degree of predictability, (2) allow any interested person to trace through the procedure far enough to learn the status of a requisition he/she initiated, and (3) ensure that the purchasing staff will be able to detect when something has gone awry so they can initiate corrective action.

One way to inform users about how the purchasing system works is through a handbook. This book should be prefaced by the general policies approved by the board. It should then go deeper into detail, presenting the mechanics--the where, when, how, who, on what form, etc.--that have been established, approved, and modified by the administrative staff persons themselves, within the spirit of the overall policy. Because of their need for frequent amendment, the contents of the handbook might well be presented in loose-leaf form. The handbook should contain instructions, flow charts, schedules, lists, sample forms completed correctly, do and don't checklists, directories of whom to call for what, and other items designed to make it easy for the user to follow the right steps. Finally, the handbook should be accompanied by several copies of the blank forms that the user is most likely to need, along with instructions about where to get more forms.

Preparing Requisitions

To start the whole cycle, someone must decide he/she needs something. This requestor might be an instructor, an administrator, a secretary, a project director, and so on. The "something" needed might be a piece of equipment, a set of supplies, or some services such as cleanup, repair, or rearrangement of furniture. Equipment refers to items, such as large tools, machines, furniture, or AV devices, that last several years, cost at least $25-$50, and are not consumed in ordinary use. These items are usually obtained from external vendors. Supplies, such as chalk, paper, typing ribbons, forms, floor wax, wastebaskets, have short life, low value, and/or are consumed in use. They are often stocked as standard items by the institution, with orders for large quantities or special items being directed eventually to outside vendors. Repair, cleanup, rearrangements, and so on, are

usually covered by a work order, which is outside the scope of this module.[1]

The proper way for the requestor to express a need is to prepare a requisition (see sample 4); the requestor cannot merely say, "I want a widget." He/she must describe the widget in either physical terms (2 ft. x 4 ft. x 5 ft., 432 lbs., red with blue wheels), performance terms (can produce 15 thing-a-ma-bobs per hour), or by make and model (Amalgamated Widget Company model 105-6B, or equivalent). The requestor should estimate the price (based on a catalog entry, a salesperson's word, or last year's records plus an allowance for inflation). The estimate is important so that affected administrators can keep track of expenditures against budgeted limits. The requestor can even suggest a vendor, or attach a brochure or copy of a page from a catalog--anything to help anyone who reads the requisition understand just exactly what the requestor wants. And finally, the desired or mandatory delivery date should be specified, along with a delivery location, if different from the institution's usual receiving area.

The requisition often requires several signatures, from faculty and administrators of successively higher authority. Their signatures imply either (1) that the desired item is appropriate for the requestor's intended use (a judgment made usually by the department chairperson/vocational service area director), or (2) that the respective budget account has sufficient funds to support this purchase (determined by the director/chairman, the business office, or both). In this latter case, the budget decisions should be based on planned purchases with a year-long perspective, rather than on a first-come, first-served rationale.

Developing Specifications

At this point, the purchasing official will probably need to review the specifications to be certain he/she knows what the requestor wants. It might also be possible that two or more users have requested similar, but not identical, items. In this case, standardization should be sought, but it might not always be desirable if there are compelling educational reasons for different models or types of the similar items.

---

1. For more information about how an institution operates maintenance programs, you may wish to refer to Manage Vocational Buildings and Equipment, part of the Competency-Based Vocational Education Administrator Module Series (Columbus, OH: The National Center for Research in Vocational Education, The Ohio State University, 1981).

SAMPLE 4

PURCHASING REQUISITION

ANYTOWN VOCATIONAL SCHOOL

81-1041
Requisition Number

Req. Date: JANUARY 15, 1981

Dept. Name: Audiovisual Dept. No.: 12

Use this form only when requesting the purchase of materials or services via the Purchasing Office. Give complete description as to name, size, grade, color, and catalog reference. List unit as each, dozen, box, etc., and estimated cost. Put the recommended source of supply in the lower right corner, not in the description column. Deliver copies of this form to the Purchasing Office after all needed approval signatures are secured.

Deliver To: Administration Building (Building) 223 (Room) Date Required: March 31, 1981

For Additional Information Call: Roy O. Vass (Name) 241-6432 (Phone No.)

PURCHASING OFFICE USE ONLY

Purchase Order No.	8103 WP
Buyer	JONES
Date of Order	February 25, 1981
Bid Opening Date	February 20, 1981
Delivery Promise	March 15, 1981
Ship Via	Yellow Truckline
Ship From	Marsapolis
Terms	2 % net 30 days
F.O.B. Point	Destination

BUSINESS OFFICE USE ONLY

Fiscal Year	Source of Funds	Object Codes	Obligation Number	Appropriation Account Code No.
81	GEN	063	81-94	12364

Item #	Quantity	Unit	Description	Unit Price	Amount
1	2	ea.	videotape recorder, color, cassette, ½", with pause control, SONY Model 348 or equivalent	2,500	5000
2	5	cartons	Blank video cassettes, ½", low interference, 30 min.	30	150
3	1	ea.	Equipment cart with casters, 3-shelf, 40" high, 20" x 30", with elect. outlet and brakes	55	55
					5,205

ADMINISTRATIVE APPROVALS

J. P. Overseer
Dept. Chairperson

W. Board, Principal
Asst. Supt./Director

J. M. Jones
Director of Purchasing

Superintendent Approval (if applicable)

Ed H. Kachun
Board of Trustees Approval (if applicable)

Recommended Source of Supply

ACME ELECTRONICS
98 W. 3RD ST.
ANYTOWN, USA 12345

ORIGINAL

In the ideal case, the requestor will have entered complete specifications on the requisition form, ready for immediate bidding (see next section). In actual practice, some requestors will provide no specifications at all, and even resist the purchasing officer's efforts to solicit any details. What you should strive for is a constructive dialogue between the requestor and the purchasing officer, perhaps including also the requestor's peers and supervisor. Otherwise, independent actions and antagonistic attitudes can result in the purchase of unsuitable items at inappropriate prices.

Soliciting Price Quotations or Bids

At this time, it is the duty of the institution's authorized purchasing official to negotiate the actual buying agreement with a vendor. (This official might be the business officer himself/herself if the institution is small, or a purchasing manager, or one of the agents on his/her staff in progressively larger organizations.) Since the major criterion for awarding a contract and selecting a vendor is price, this person needs to secure firm quotations. Normally, these are secured in writing (see sample 5), and sufficient time should be planned between the initiation of the requisition and the desired delivery date to allow this correspondence to be exchanged. You should be certain that the prospective vendor understands this is only an inquiry, not a definite offer to buy.

There are some special cases, such as the following, in which a different procedure is appropriate:

- If time is short, quotations may be sought by phone. Decisions can then be made on the basis of these oral statements, provided the price is later confirmed in writing.
- In another case, the institution might already be a party to an annual contract with a vendor of frequently purchased items (e.g., office furniture, paper, athletic supplies) in which prices have been negotiated in advance. Sometimes these contracts are drawn up between vendors and a purchasing consortium. This is a group of institutions (for example, all state-assisted technical colleges in a state, or area vocational schools in a region) who pool their purchasing needs. Because of the high volume of business they represent, they often can attract bids from more vendors, induce competition, and thus negotiate contracts offering significant discounts and favorable terms.

SAMPLE 5

WRITTEN REQUEST FOR QUOTATION

TO:

- NEWTON W. FIGG, SALES MGR.
- AMALGAMATED PULP MILLS
- 986 BLACK FOREST ROAD
- YOURTOWN, MT 88111

REQUEST FOR QUOTATION

This is only an inquiry.
THIS IS NOT AN ORDER.
Please Quote Promptly.

Please quote us prices on items listed below. Note delivery requirements, and state firm delivery date.

NORTH CALABASH TECHNICAL COLLEGE
123 West Main Street
North Calabash, _____ 12345

Date	Address Reply to	Reply Due by	Delivery Required by
July 10, 1982	B. G. Chaker	July 25, 1982	August 28, 1982

Item #	Quantity	Unit	Description	Unit Price	Amount
1.	500	reams	Xerography paper, white, 8½" x 11"		
2.	200	reams	Bond paper, 20% cotton, white, 8½" x 11"		
3.	20	reams	Onionskin, white, 8½" x 11"		
4.	20	reams	Construction paper, assorted colors, 8½" x 14"		
			THIS IS NOT AN ORDER		

VENDOR: Please Complete This Information

1. Delivery Promised
2. F.O.B. Point
3. Terms
4. Date of Quotation

By Brice Z. Chaker

[X] Purchasing Agent [ ] Authorized Signature

Requisition Number
AB-012-Q

- Your institution might have access to property disposal-salvage or surplus outlets of other educational institutions, government organizations, or the armed services. These goods are usually serviceable and, or course, much less expensive than new items. Also, you may be eligible to buy products made in penal institutions, which sell for very low prices.

Finally, in certain cases (as specified in the purchasing policy), prices will be determined by sealed bids. For example, bid solicitations are usually prepared for equipment when the amount of the purchase exceeds a certain limitation, e.g., $500, and for supplies when a large volume purchase will result in substantial savings to the institution.

Preparing solicitation forms. The solicitation form resembles a requisition form in that it contains the specifications for, or description of, the desired item(s). It is also accompanied by general bid conditions, written to inform bidders about the conditions under which the school will purchase items, including (1) when and where bids will be received and opened, (2) how final selection of the successful bidder will be determined, and (3) such assurances as are necessary to eliminate unqualified bidders, including a requirement that bidders be bonded under some conditions. A statement to the effect that any and all bids may be rejected is inserted to exempt the school from being forced to make purchases solely on the basis of the lowest bid (see sample 6).

It is at this stage that specifications are most important. Acceptable specifications can include the following descriptors:

- An accurate generic name
- Special sizes and capacities
- Duty specification such as commercial or utility
- Electrical requirements including voltage and amperage
- Whether special attachments are necessary to make the machine or equipment operable
- Assembled weight
- Finish
- Materials
- Quality-assurance terms

Another option is to specify that the item shall be equal to a specific manufacturer's product cited by name or model number. (In such cases, copies of the vendor's catalog must be made available to prospective bidders so that features and quality

SAMPLE 6

SOLICITATION FORMS

NEW SCHOOL DISTRICT

April 29, 1999

NOTICE TO BIDDERS

Bids will be received by the New School District until 10:00 a.m., Friday, May 16, 1999, for:

FLOOR REFINISHING MATERIALS

Specifications may be obtained from the Business Office, New School District, 123 Main Street, Ourtown, USA 54321.

The right is reserved to reject any or all bids.

Board of Education
New School District

by Rex Ryan
Business Manager

NEW SCHOOL DISTRICT

INSTRUCTIONS TO BIDDERS

Mark plainly on outside of sealed bid "Bid Enclosed—not to be opened until 10:00 a.m., Friday, May 16, 1999" and address your bid to Business Manager, New School District, 123 Main Street, Ourtown, USA 54321.

Please fill in both "unit price" and "extension" columns on proposal form; use same unit for price as that listed under "quantity" column so that all bids will be on common basis.

Be sure to state the brand bid on after each item. You may bid on more than one brand for each item, if you wish, but specify brand opposite each amount quoted.

The right is reserved to increase or decrease the quantities actually ordered, depending upon how our budget compares with total cost of all supplies. The quantities listed, however, will be substantially the same as specified.

Samples must be submitted on every item, unless otherwise stated in the specifications. Please mark plainly on each sample (1) your name and address, and (2) the brand name of the sample.

Terms: f.o.b., Ourtown, net 30 days.

Please do not bid on anything you cannot deliver to Ourtown within two weeks of receipt of purchase order. Special arrangements for partial delivery within two weeks and remainder within a reasonable time thereafter may be permitted. If you wish to make such arrangements, state clearly quantity deliverable within two weeks and delivery date on remainder.

Board of Education
New School District

by Rex Ryan
Business Manager

NEW SCHOOL DISTRICT

SPECIFICATION/BID TALLY
Floor Refinishing Materials

Mr. Rex Ryan
Business Manger
New School District
Ourtown

We agree to the terms f.o.b. Ourtown, net 30 days, and propose to furnish the following items in accordance with foregoing "Instructions to Bidders" within two weeks of receipt of purchase order at the prices designated below:

	QUANTITY	UNIT PRICE	EXTENSION
Floor sealer for wood floors, to be cleaned and refinished without sanding; must be approved by unbiased association for above use; enclose proof of approval with bid (sample of at least one pint required); in 55-gallon drums	3 drums	_____	_____
Floor sealer for gymnasium floors, color: clear, made of bakelite; must be guaranteed not to turn dark with age; must be approved by Maple Flooring Manufacturers Association or other unbiased organization as heavy duty gymnasium finish; enclose proof of approval with bid (sample of at least one pint required); in 55-gallon drums	5 drums	_____	_____
Lambs wool wax applicator pads, ten inch with good heavy material that won't pull out (sample required)	6 dozen	_____	_____
Solid steel wool pads, coarse for scrubbing hardwood floors, for use with 14" floor machine; specify grade and diameter of steel wool bid on (sample not necessary)	3 dozen	_____	_____

Date _____

Address _____

_____
Name of Company

by _____

can be compared.) This doesn't mean that their product must be the exact duplicate. Rather, it gives competitive bidders a prototype standard by which specifications can be compared, using major features. It also gives the purchasing department the option to reject bids where vendors (1) have bid an inferior product, or (2) have constructed a piece of equipment from components that will fulfill the requirements of the specification, but do not meet the intent to have an integral and matching piece of equipment. (Automotive tune-up equipment is a typical example. Such items as meters and gauges could be assembled to meet the requirements for a "tune-up machine," but do not meet the intent of the specification for an integral and internally compatible piece of apparatus.)

In some cases, standard or commonly accepted specifications can be developed by consulting the publications or personnel from organizations such as the following:

- U.S. National Bureau of Standards
  Washington, DC
- American National Standards Institute
  70 East 45th Street
  New York, NY
- American Society for Testing Materials
  1916 Race Street
  Philadelphia, PA
- Consumers Report
  Consumers Union of U.S., Inc.
  256 Washington Street
  Mount Vernon, NY
- American Society of Mechanical Engineers
  29 West 39th Street
  New York, NY
- National Institute of Governmental Purchasing
  1001 Connecticut Avenue NW
  Washington, DC

Specifications must not be ridiculously complex or overly specific, however, particularly if they are designed solely to eliminate all vendors except the one for which a preference exists. This violates the basic policy of fairness. For example, specifying equipment color, location of accessories, operator knob size, and other incidental features just for the purpose of eliminating competitive bids should not be tolerated. Chief administrators can check for "sweetheart deals" or biased relationships with certain vendors through an audit of purchasing records, looking for items for which only one vendor submits bids. Other vendors should then be surveyed to determine why they had not also responded.

There are instances, however, when screening out alternate name brands of equipment might be permissible. For example, if it has been proven that certain bidders are unreliable, their equipment is inferior, they cannot provide service, or they cannot provide supplies and guarantees, then bids from these vendors should be eliminated. Moreover, if the desired equipment must match equipment presently in the school system to be workable, then this consideration should be spelled out in the bid. If color coordination is important, this also should be made known to prospective bidders in advance so they may prepare a fully acceptable bid.

If the request for bids requires special arrangements with vendors, these must be specified; they cannot be assumed to be automatic. For example, furniture and equipment sometimes come only partially assembled. Some equipment requires additional electrical service, or operator instruction, to ensure its satisfactory use by previously untrained personnel. Still other equipment is large and bulky and of a built-in nature. For example, it might need to be installed in the building during construction. It may also need to meet the construction schedule of one or more of the building subcontractors in order to be installed correctly. If it arrives early, that would require storage and handling; if it arrives late, that would cause delays in the building schedule. Therefore, it is important that these conditions be a part of the description of the item in the bid, and appear conspicuously near the description so that the intentions of the institution are made clear to the vendors from the outset.

Special conditions can be imposed on the bidder if desired. For example, an institution will sometimes require that samples be included with the bid so that quality can be checked and compared (see sample 6). Sometimes guarantees are requested, providing some indication of the conditions under which a piece of equipment must operate satisfactorily for a given period of time.

Delivery and set-up services are sometimes requested in the bid with statements such as, "To be delivered freight prepaid to the laboratory on 110 North Main Street, and set up complete and ready to run." This allows additional costs for freight and set-up charges to be incorporated in the bid. The practice could, however, eliminate some bidders because of their remote location, or lack of sales or training personnel to install and operate the equipment. One means of handling this situation is for the institution to secure an installment agreement from the local crafts having jurisdiction (e.g., the plumbers, carpenters, or electricians), and relay this cost to the vendor so that it may be incorporated in the bid. When the equipment is installed, the school pays the charges and subtracts them from the billing

received from the vendor. It is important to remember, however, that such an arrangement must be made in advance.

In summary, the basic question that must be answered when a bid solicitation is written is this: Does it allow for competitive bidding by several vendors so that the institution receives the best overall value for the money expended? If it does not, then it should be rewritten.

Contacting vendors. Vendors handling the specified products are generally selected from a "bidders list" and sent the solicitations directly. The institution maintains this approved bidders list, consisting of the names and addresses of vendors, their products, and the names of personnel responsible for submitting bids. Vendors can be added to the list by submitting a bidder data sheet, or the institution can consult business directories provided by chambers of commerce or trade organizations. They may be removed for unsatisfactory performance, including failure to (1) deliver on time, (2) honor quoted prices, (3) send fault-free merchandise, or (4) provide service after the sale. Vendors that are removed or suspended from the bidders list for a prescribed period should be so informed in writing, along with the reason for the suspension.

The institution may also be required by state law to advertise in designated newspapers to inform any other prospective vendors of the opportunity to submit bids on specific items. At least two weeks should be allowed from the time the advertisement appears until the bid must be received. A copy of the letter sent to the newspaper, together with the advertisement notice as it appears in the newspaper, should be filed to maintain an official record of this phase of the procurement process.

Processing bids. Bids received by mail before the required date should be stamped Received, with the date and time indicated, and then logged and placed in a holding basket. A bid received after the required date should be stamped, logged as late, and returned to the bidder unopened, with a letter indicating that it cannot be accepted.

At public bid openings, it will be necessary to schedule a room of sufficient capacity to seat bidders, representatives of the press, and other spectators. In preparation for the bid opening, the buyer should have prepared bid tally sheet(s), which consist of the purchase specifications and space to the right where each bidder's name and quoted price can be recorded (see sample 6). Each item, together with the prices quoted by each bidder, is then read aloud. If the price quoted is for an alternate to the name brand listed in the specification, it is common practice to record also the name, brand, and model number with

the quoted price. In this way there will be no confusion with regard to what was actually submitted to meet the specification.

After the bid opening, the bids should be tallied so that the successful bid can be selected. If the vendor is on the approved bidders list or otherwise acceptable, and the product is the same as specified, the purchase order is awarded to the lowest bidder. If the lowest bidder has bid on an alternate product, the purchase order is still normally awarded to the lowest bidder, if the product is equivalent in the judgment of the buyer, and is not objectionable to the person originating the requisition. In other circumstances, the buyer should consult with the requestor concerning the bids, and then recommend the product and vendor that best meet the following criteria: right product, right quality, right price, right vendor, at the right time.

Although it is often overlooked, a positive relationship with vendors is as critical as other aspects of institutional public relations. It is important, for example, that they receive prompt, courteous, and fair treatment at all times. All price and specification information received before the bid opening should be considered strictly confidential; this trust must be guarded. For this reason, vendors should be discouraged from giving bid prices to instructors and others who might not be aware of this confidential charge. After the bid opening, it is indeed proper to inform a bidder that a price was out of line, if that is the case, or of any other reason for selecting another vendor's product. In fact, the bid tally sheet(s) should be available for all to view at the bid opening, or later.

The bids--as well as attached literature that describes the equipment and supply items, particularly alternates--should be kept on file until after the purchase order is written to the successful bidder.

Issuing the Purchase Order

The purchase order (see sample 7) is very similar in content to the requisition that started the whole process; i.e., it contains the description of an item or items and the quantity desired. However, it is different in several important respects. First, it is addressed to a particular vendor. Second, the price on the purchase order is not an estimate; it is the final outcome of an offer and acceptance on the part of vendor and buyer (your educational institution). Third, the purchase order carries the implied message, "Please deliver this to us; we promise to pay for it." Finally, the person signing the purchase order may be one of only a few persons in the institution having the authority to obligate its funds, as specified in the purchasing policy,

SAMPLE 7

PURCHASE ORDER

ANYTOWN VOCATIONAL SCHOOL
123 Main Street
Ourtown, USA 54321

8 1 0 3 - W P
Purchase Order Number

Ship To:
ANYTOWN VOCATIONAL SCHOOL
123 MAIN STREET
OURTOWN, USA 54371
P.O. 8103-WP

Dept.
Name Audio-Visual Dept. No. 12

MARK ALL SHIPMENTS WITH THIS ORDER NUMBER

You are hereby authorized to furnish, in accordance with the terms, conditions, and specifications hereon, the items listed below:

VENDOR OR PAYEE
- JOHN SMITH TV SALES
- 865 HIGH STREET
- NEARBYVILLE, USA 54864

Buyer	JONES
Date of Order	February 22, 1981
Bid Opening Date	February 20, 1981
Delivery Promise	March 15, 1981
Ship Via	Yellow Truckline
Ship From	Nearbyville
Terms	2% net 30 days
F.O.B. Point	Destination

Fiscal Year	Source of Funds	Object Codes	Obligation Number	Appropriation Account Code No.
81	GEN	043	81-34	12364

Item #	Quantity	Unit	Description	Unit Price	Amount
1	2	ea.	RCA Model 964 videotape recorder, cassette fed, with pause control and aux. input jack	2347.00	4,694.
2	5	cartons of 6	Ampex video cassettes, 30 min., ½" wide	28.40	142.
			[Purchasing Office should include at the bottom of this section all special instructions re: delivery location, delivery deadline, installation, warranty, discount terms, etc.]		$4,836
			Deliver no later than March 15, 1981, to attn. of Ray O. Vack. Vendor must conduct training session and set up equipment by March 28, 1981. Warranty period 1 year.		

INSTRUCTIONS

1. Packing list must accompany all shipments.
2. No changes in this purchase order may be made except on instructions from the undersigned.
3. Mail all invoices directly to the Disbursements Office, Anytown. All invoices must reference order number.

This transaction subject to state and school rules and regulations governing procurement and bidding.

APPROVED BY:
G. M. Jones
For:
Director of Purchasing

whereas the requisition had been signed by the person asking for the item.

Legal opinions are divided over whether the purchase order constitutes a legal contract, i.e., the institution's acceptance of the vendor's offer to sell as conveyed by the bid or price quotation. To ensure full agreement, it is better to consider the purchase order as an offer to buy, and the vendor's acknowledgment (accomplished by returning copy 2 to the institution), would then constitute acceptance.

Looking again at sample 7, you will note that the purchase order is written from the specifications and sent to the successful bidder. It contains the account number, purchase order number, buyer, date of purchase, delivery promise, shipping instructions, terms of payment, and FOB, which indicates whether the price does or does not include shipping charges. FOB is an abbreviation for the words free on board, a term commonly used in the past. If it says "FOB factory," then the buyer must pay the freight and is responsible (or holds the carrier responsible) for any damage en route. If it says "FOB destination (or the buyer's address)," then the vendor pays the freight and is responsible for any damage occurring before delivery.

The choice of who should pay for delivery depends on (1) the transportation means available to either party, (2) the need for haste, (3) the degree of willingness of your institution to cope with the extra paper work involved if you pay freight bills, and (4) the relative prices that either party can negotiate with their respective carriers. There are times, for example, when it would be cheaper, faster, and safer for your institution to dispatch a courier in an automobile, or a custodian in a rented truck, to retrieve a badly needed or fragile item.

The purchase order should contain specific instructions about delivery, including location, necessary installation, setup, or operator training, and especially the delivery deadline. It should mention any penalties to be charged for overdue delivery, or the date after which the shipment simply would not be accepted.

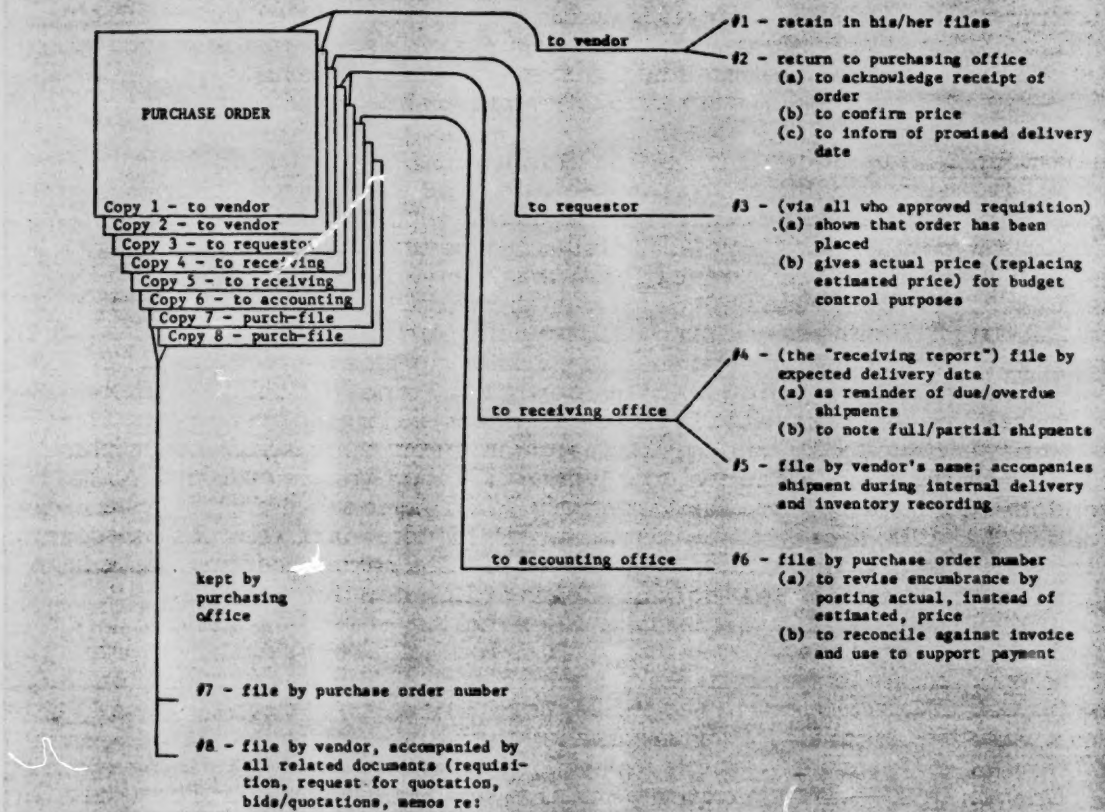
The distribution of purchase order copies is an important link in the communications chain that supports the purchasing cycle. Sample 8 shows one way that purchase order copies are distributed and the purposes for distributing copies in this way.

Encumbering Funds

Once the vendor is selected and a firm price determined, the funds for that purchase should be encumbered. This process

SAMPLE 8

DISTRIBUTION OF PURCHASE ORDER COPIES


PURCHASE ORDER
Copy 1 - to vendor
Copy 2 - to vendor
Copy 3 - to requestor
Copy 4 - to receiving
Copy 5 - to receiving
Copy 6 - to accounting
Copy 7 - purch-file
Copy 8 - purch-file
to vendor
#1 - retain in his/her files
#2 - return to purchasing office
(a) to acknowledge receipt of order
(b) to confirm price
(c) to inform of promised delivery date
to requestor
#3 - (via all who approved requisition)
(a) shows that order has been placed
(b) gives actual price (replacing estimated price) for budget control purposes
to receiving office
#4 - (the "receiving report") file by expected delivery date
(a) as reminder of due/overdue shipments
(b) to note full/partial shipments
#5 - file by vendor's name; accompanies shipment during internal delivery and inventory recording
to accounting office
#6 - file by purchase order number
(a) to revise encumbrance by posting actual, instead of estimated, price
(b) to reconcile against invoice and use to support payment
kept by purchasing office
#7 - file by purchase order number
#8 - file by vendor, accompanied by all related documents (requisition, request for quotation, bids/quotations, memos re: delivery, freight charges)

NOTE: If fewer copies are desired, copy #2 (acknowledgment), once returned by vendor, might be used as the file copy in lieu of #8; also, one copy might be used to perform the functions of both #4 and #5.

amounts to a reservation or a "hold," ensuring that the same funds will not be used to support another purchase before the first one is completed (similar to someone setting aside a ten dollar bill for a record album on Monday, even though he/she won't go to the store to buy it until Saturday morning). The encumbrance at this stage will be for the quoted/bid cost of the purchase; it can be adjusted later once the exact price, including freight charges, discounts, and so on, is known.

Expediting Delivery

Expediting activities need to occur when orders have not completed the purchase cycle. Usually, these are orders that have not been received, or orders that have been only partially received. If the promised date has passed, but the order has not been received, the requesting department notifies the purchasing department, which checks with the receiving office. Expediting efforts can also be triggered by copies of the purchase orders kept by the receiving staff in a suspense file, sorted by delivery promise date. If the order has not been received, then the purchasing officer contacts the vendor. Each such contact with a vendor is logged, and the order is then placed ahead in the suspense file under the new promised delivery date for future follow-up. The process continues until the order is completed or reconciled. Chronic delinquent deliveries can be deterred by imposing penalty costs or by threatening to remove a vendor from the bidders list.

Receiving Shipments

The shipping instructions on the purchase order inform the vendor about where and how to ship the item. Usually, this is to a central receiving station where the merchandise can be unloaded and checked with a minimum of difficulty by qualified, experienced persons. The receiving clerk is responsible for observing the unloading procedure and inspecting packages and crates for visible damage. If no damage is visible and the count agrees with the freight bill, he/she then signs and dates the freight bill. If there are exceptions, these are noted on the freight bill, and the driver is asked to countersign.

The packing slip, or shipping label, can be used to cross check the purchase order number against the contents. In cases in which there is a possibility of losing small parts or causing damage, the receiving clerk should not be asked to unpack the contents. Or, the technological nature of the contents may be such that an "expert" (vocational instructor) must be involved. In such cases, the persons who requisitioned the item(s) should

be asked to verify the contents (as to condition and count) when they do the unpacking.

When the contents, purchase order number, and "owning" or user department have been noted, the purchase order number and department should be written on the package. It should then be placed in the holding area from which deliveries are made to departments, whether by hand, cart, or truck (depending on distances between the institution's facilities).

If the delivery is only partially complete, a copy of the purchase order needs to be retained in the alphabetical listing of vendors from whom orders are still to be received, unless an invoice for a partial payment has been submitted previously.

Delivery should also be noted on the "receiving report" copy of the purchase order (see sample 9), and this report should be returned to the purchasing office as soon as the delivery is complete.

Freight bills that accompany shipments should be referenced with the purchase order number, and copies should be sent to the purchasing office so that the charge can be made against the purchasing account. A copy of freight bills needs to be filed by purchase order number in the shipping and receiving office.

Items that are defective, damaged, or not as ordered must be returned. They should be carefully packed, with the packing slip plus other directions to the vendor placed inside or firmly attached. A copy of the packing slip and directions should also be sent to the vendor by first class mail. If shipment is by a parcel service, the item should be weighed; this figure needs to be entered in the weight box of the shipping ticket and daily outgoing log. The log should also contain the date, destination, shipper charges, and the account to which they are to be charged. For motor freight shipments, the straight bill of lading should be completed. One copy of the parcel tickets and bills of lading are then forwarded to purchasing, and one is retained for the shipping/receiving office files.

Authorizing Payments

When orders have been received--and verified as correct and acceptable by the receiving staff or by user departments--the purchasing office can then advise the business office that the invoice may be paid. Orders should be referenced by purchase order number, user department, and respective account number(s). Shipping costs that are also to be charged to the user department accounts should be referenced using the same system.

SAMPLE 9

"RECEIVING REPORT" COPY OF PURCHASE ORDER

ANYTOWN VOCATIONAL SCHOOL

8 1 0 3 - W P
Purchase Order Number

Ship To:
ANYTOWN VOCATIONAL SCHOOL
123 MAIN STREET
OURTOWN, USA 54321

P.O. 8103-WP

MARK ALL SHIPMENTS WITH THIS ORDER NUMBER

Dept.
Name Audiovisual Dept. No. 12
Campus
Delivery

Buyer	JONES
Date of Order	February 28, 1981
Bid Opening Date	February 20, 1981
Delivery Promise	March 15, 1981
Ship Via	Yellow Truckline
Ship From	Nearbyville
Terms	2% net 30 days
F.O.B. Point	Destination

This form is to be filled out and sent to the Purchasing Division the day the material is received or service is rendered. If this report represents a partial shipment, request the Purchasing Division to forward a supplemental "receiving report." If for any reason material is unacceptable or service is unsatisfactory, provide full particulars. Correspondence with vendors will be conducted by the Purchasing Division.

VENDOR OR PAYEE
- JOHN SMITH TV SALES
- 865 HIGH STREET
- NEARBYVILLE, USA 54364
-

P.Y.	Source of Funds	Object Codes	Obligation Number	Appropriation Account Code No.
81	62N	065	81-34	12364

Item #	Quantity	Unit	Description	1	2	3	4	5	Comp.
1	2	ea.	RCA Model 464 videotape recorder, Cassette Pak, with pause control and aux. input jack	✓		✓			
2	5	cartons of 6	Ampex video cassettes, 30 min., ½" wide		✓		✓	✓	

	Date Received	Carrier	Waybill No.	No. Pkgs.	Cond.	Ppd.	Charges	Received by (Central Rec.)	Received by Dept. (Signature & Date)
1	3-13-81	Yellow Truckline	432	1	Ok	✓	0	Mary S. Doe	Reg O. Pack 3/13
2	3-15-81	" "	493	1	Ok	✓	0	"	Reg O. Pack 3/15
3	3-19-81	" "	723	1	Torn	✓	0	"	Reg O. Pack 3/20 OK
4	4-4-81	" "	1064	1	Crushed	✓	0	Refused	
5	4-10-81	" "	1121	1	Ok	✓	0	Mary S. Doe	Reg O. Pack 4/30

Copy 4 - to Receiving Office

Posting Purchases to Accounting Records

This step follows closely on the heels of the one just described. It is especially important that the encumbrance be cleared at this point. You recall that the encumbrance was first made using the estimated price on an approved requisition, and then updated when a firm price was established through a vendor's quotation or the bidding process. It is, of course, still possible that the final amount paid will be different, due to freight charges or cancellations of part of the order. In the meantime, partial shipments might be received, followed by partial billings (invoices) and partial payments, if appropriate. Whatever the sequence, the encumbrance will eventually be replaced by a posting of the actual expended amount. The user department head will then see this reflected in the periodic budget expenditure reports. Thus, he/she should be able to avoid initiating or approving requisitions that exceed budgeted amounts.

Recording Items on Inventories

The final part of the purchasing cycle consists of entering the equipment and supplies on the institution's inventory record. The details of this phase of facility/property management are presented more completely in another module of this series.[2] You should know at this point, however, why this step is important to purchasing operations. Inventory control preserves certain information about an item, such as the following:

- How much it cost
- When it was received
- Who supplied it
- What accessories or associated items were included

Moreover, inventory records show to whom major items of equipment are assigned, and who, therefore, is responsible for their care, maintenance, and accountability. In the case of purchases funded by state or federal grants, the institution is often required to affix a special inventory label or number to the equipment. Be sure your inventory form meets governmental requirements, too. In the case of numerous or bulk items, inventory information indicates the rate of consumption and is useful in forecasting

---

2. For further information concerning inventory procedures, you may wish to refer to Manage Vocational Buildings and Equipment, part of the Competency-Based Vocational Education Administrator Module Series (Columbus, OH: The National Center for Research in Vocational Education, The Ohio State University, 1981).

the dates by which a new order must be submitted--thus bringing the purchasing cycle around full circle, ready to begin again.

You have read in the previous pages about an ideal purchasing system. The possibility of several procedural deviations probably occurred to you as you read these descriptions. For example, you might be skeptical about the writing of specifications. You might feel that users don't have the time, responsibility, or expertise to write them, but suspect that purchasing officials, in their zeal for standardization, could be too insensitive to educational needs. The important point is they must communicate with each other to develop, cooperatively, descriptions ultimately acceptable to both.

Another problem arises when too little time is available to follow established or ideal procedures. In spite of advanced planning or administrative urgings to initiate purchases far ahead of time, someone always finds him/herself near the end of a fiscal year, or grant period, with money still to spend, and sets off an "eleventh-hour spending spree." All educational administrators involved with such actions should ask, "Is this purchase really necessary? Can we buy it and still treat all our vendors fairly? What are the consequences of not spending the money?"

It is far preferable to develop standby lists of lower-priority equipment for which specifications have been developed in deliberate fashion, and for which price quotations or bids have been secured and periodically updated. Then, if funds indeed become available, it is a simple matter to prepare the purchase order and encumber the remaining funds. This approach allows the purchasing office to save its energy for truly urgent and unforeseen needs--the replacement of a broken down boiler, a wrecked vehicle, a damaged shop tool, or the purchase of apparatus needed to support a hastily developed new vocational course or program.

Also, there are many purchases that must be made in a hurry, but involve relatively small amounts of money--specially prepared poster board for a DECA exhibit, an exotic repair part for a movie projector (the film is being shown tonight), a plaque for presentation to a visiting VIP, and so on. The purchasing procedure can accommodate such contingencies by authorizing selected individuals to make cash or charge purchases up to a certain dollar value (perhaps $25), and then confirm the purchase later through the routine submission of a requisition. These "authorized" purchasers must understand that it is possible that their purchase might be disallowed upon closer consideration, making them personally responsible for charge purchases, or nonreimbursable for cash transactions. Also, they need to know which few stores have open accounts with the institution, and should know how to secure sales tax waivers by providing the institution's tax exemption number.

You may wish to obtain a copy of the purchasing procedures or handbook of a secondary or postsecondary educational institution. Review this document carefully, looking for the steps of the purchasing cycle and asking the following types of questions:

- Do the procedures appear to be well coordinated?
- Are purchasing authority and bidding limits clearly stated?
- Are sample forms available for examination?
- Is the flow of "paper work" from one office to another clearly depicted?
- Are there any novel ideas that you might incorporate in your own purchasing program if you were called upon to design one?

The following "Case Situation" describes a situation in which an administrator was assigned to develop and publish procedures to control purchases at a postsecondary vocational education institution. Read the situation description, examine closely the outline of the procedure handbook she drafted, and identify any deficiencies that may exist. Correct these errors by providing either improved directions, or adding new procedural steps as needed. (You can make these changes on the proposed outline itself or describe them on a separate sheet of paper.)

Although this case applies specifically to a postsecondary institution, the general principles it illustrates will apply, in most cases, to secondary schools as well. Remember, this is a hypothetical, not necessarily an ideal, set of procedures.

CASE SITUATION

Lookaway Hills Community College, with a student body numbering 4,000 full-time and part-time students, has served its three-county area since its founding right after World War II. During that time, the college has grown from one with only a few agriculture and industrial training programs for veterans to a comprehensive educational and cultural center, with a broad range of technical programs in health, business, science, and paraprofessional career fields as well. It also has a mission to offer pre-baccalaureate transfer and adult/continuing education programs to the general public.

Along with this growth in numbers of students and diversity of programs has come a more complex college organizational structure. In the early days of the college, the business manager handled all of the administrative support tasks ranging from the hiring of secretaries to the supervision of building maintenance and grounds keeping. He also took care of purchasing, payroll, and accounting. As the college grew, he hired some assistants for the other duties, but retained the purchasing functions. Last year he retired. After a six-month long search, the president recommended that the chief accountant, Lloyd Farmer, be appointed to a newly named position as vice-president for administration and finance. Mr. Farmer, in turn, has hired Lisa Altobelli, with five years' related experience in a local industry, to work for him in a new job as manager of purchasing.

Ms. Altobelli's first assignment is to develop a more streamlined purchasing procedure. She is expected to retain the

necessary control over purchases, but to allow department chairpersons and chief administrators to assume responsibility for their own budgetary control and for the initiation of requisitions. Her experience in dealing with vendors and factory representatives is expected to result in greater buying power for the dollars spent, but Mr. Farmer does not want Ms. Altobelli to do everything herself. Instead, he emphasized that he wants her to design and operate a system of clearly described and interrelated functions performed by the most appropriate officials--one that they all can understand, and one that will operate in a quick, predictable manner.

In her analysis of the present situation, Ms. Altobelli talked to many people, learning what jobs they currently perform, and soliciting their ideas for improvement. She also examined many documents, including the college's brief purchasing policy document, recently revised by Mr. Farmer and adopted by the board of trustees. The policy statement emphasizes that the college should strive to acquire items following the "best value for the lowest price" principle. It requires that sealed bidding procedures be used for all purchases over $2,000 in value, or contracts extending six months or more. Purchasing authority is delegated to the vice-president for administration and finance for transactions under $10,000. Otherwise, board approval is required, and it must also approve even intended purchases (i.e., before the solicitation of bids) for items worth $50,000 or more. Beyond the criteria of lowest price (given equal quality), the policy expresses a preference for doing business with local vendors, and seeks to encourage transactions with minority enterprises and those with a tradition of hiring physically impaired or economically disadvantaged persons.

Acting within these guidelines, Ms. Altobelli has drafted an outline of the proposed purchasing procedures, on which the purchasing handbook, purchasing forms, and other documents will be based. Before she meets with persons affected by the proposed changes, most of whom work for Vice-President Farmer also, she has asked him to review the outline to make sure she has neither left some important steps out, nor has suggested procedures that are unworkable or contrary to general policy.

Here is the outline:

I. Requisitioning

   A. Initiated by any professional/academic/supervisory staff member
   B. Sent directly to purchasing manager (PM)
   C. Requestor may suggest vendor, but not make commitment to salesperson

D. Draft specifications should be included
E. Sample form to be included

II. On-the-spot purchasing

A. Allowable for items under $25
B. Requisition must say "confirming order" (sample to be attached)
C. Items can be "charged," or purchaser can pay and be reimbursed
D. No state sales tax is to be paid (cite tax exempt number "16425")
E. List of vendors with whom college has charge accounts to be attached
F. Procedure used at buyer's own risk; PM has option not to honor commitment

III. Securing price quotations/bids

A. Written method
   1. Usual procedure (sample form to be included)
   2. For purchases of estimated value $100-$3,500
   3. Fourteen (14) days response time provided
   4. Quotation to be sent directly to person requesting the requisition
B. Telephonic method
   1. For purchases of less than $100 value, or needed sooner than 21 days from date of requisition
   2. Can be used in exceptional cases with approval of Vice-President Farmer
   3. Oral quotations must be immediately confirmed using written form
C. Sealed bid method
   1. For purchases over $3,500 (board must approve before soliciting bids of estimated cost over $50,000)
   2. For services contracts over 6 months' duration
   3. Bid invitations (sample to be included)
      a. Sent directly to likely bidders
      b. Three (3) weeks response time provided
      c. Guidelines on how to write specifications to be included
   4. Bid handling
      a. Stamp with "Received by PM" and "date _____" stamps
      b. Log by vendor, date, time, and requisition/inquiry number
      c. Retain in V-P's safe until opening
      d. Return late bids with "returned; received after deadline" stamp and explanatory letter

5. Bid opening
    a. PM and representative of requestor must be present
    b. Bidders invited; session open to public
    c. Bids opened, read aloud, and tallied by PM
    d. PM and requestor consult about price and specifications; if awarded to lowest bidder, announce immediately; if not, announce within three (3) working days

D. No bid/quotation method
    1. Used for item already under long-term, open purchase contract (currently in force only for paper, office furnishings, and petroleum products)

IV. Issuing purchase orders

A. Sample form to be included
B. Signed by: PM ($0-$2,000); V-P for administration and finance ($2,000-$10,000); board chairman and president (over $10,000, after board approval)
C. Specifies firm price and delivery date
D. Copies distributed to vendor (2), PM files, accounting, and using department
E. Vendor returns an acknowledging copy confirming price and delivery

V. Shipping instructions

A. Usual method--FOB destination (prepaid by vendor)
B. Exceptions, approved by PM (for sake of haste or fragileness):
    1. College personnel/vehicle pick up
    2. Premium (air courier, special delivery, parcel service), paid by college

VI. Following up on delivery

A. Responsibility of user department to detect lateness, call vendor
B. New delivery promise date to be marked on user's copy of purchase order

VII. Receiving

A. Receiving clerk/custodial supervisor files purchase copies by vendor and delivery due date
B. Items checked off on both copies until all are received in good order

C. One copy of order stays with item--call user department to pick up
D. Other copy of purchase order sent to PM with copy of freight slips
E. User department's responsibility to detect and report both visible (before unpacking) and concealed (after unpacking) damage
F. User department to notify PM within 3 days if order not satisfactory

VIII. Paying invoices

A. All invoices to be forwarded to PM
B. PM initials invoice as OK to pay, checks purchase order number
C. One copy retained, remainder sent to accounting
D. PM closes file, files by vendor, notes on purchase order log
E. Accounting drafts and mails payment

IX. Adding to inventory

A. PM or using department adds all major (over $100) items to records
B. Inventory card (sample to be included) to be posted with vendor, purchase date

X. Appendix

A. Organizational chart
B. Recapitulation of duties, by position
C. Flow chart

Assume you are Vice-President Farmer. Ms. Altobelli has an appointment to see you tomorrow to go over this outline. Make whatever additions and corrections you feel are necessary, and note those provisions that are acceptable, in preparation for this meeting with her.

57

Compare your written corrections and additions to the outline described in the "Case Situation" with the "Model Corrections" given below. Your responses need not exactly duplicate the model responses; however, you should have identified and corrected errors of the same general type.

MODEL CORRECTIONS

Overall, the procedures are outlined very logically and thoroughly. Particularly commendable are the inclusion of numerous sample forms, charts, and checklists to help the users of the handbook. Also, the procedures are generally simple and do not involve excessive centralization of actions, which might cause delays in the event a key administrator was temporarily absent or overworked.

Furthermore, the procedure development methods followed by Ms. Altobelli were thorough, systematic, and considerate of those persons whose cooperation would be necessary for the success of the new system.

The "Requisitioning" section, however, should have included a step requiring the signature of one or more intermediate officials or department chairpersons. They would review the budget figures and certify that sufficient funds were available, and agree that the purchase was appropriate.

The "On-the-Spot Purchasing" section seems to be complete, and carries all the warning statements needed for this nonroutine means of purchasing.

A major omission is the lack of an entire section on the encumbrance of funds, including budget review, initial posting of the quoted price, and clearing of the encumbrance with the actual price plus shipping charges.

In the "Price Quotations" section, parts A and C, the boundary between written quotations and sealed bidding is incorrectly stated as $3,500; according to the board's purchasing policy, this should be $2,000. Moreover, the quotations should be returned to the purchasing manager (PM), not the user department. Finally, no mention was made of the maintenance of a bidders list, or public advertising (through an "official" local, state capital, or trade newspaper) for bids.

In the section on "Issuing Purchase Orders," no mention is made of distributing copies of the purchase order to the

receiving office, which should receive at least two copies (see section VII-A).

The "Shipping Instructions" section is brief, but seems to be complete.

In the "Following up on Delivery" section, responsibility for follow-through on overdue deliveries is incorrectly assigned to the user department. Granted it might be the first to notice the lateness of a shipment (especially if neither the PM nor the receiving office is checking its respective suspense file), but the contact with the vendor should always be handled by purchasing officials. Likewise, the PM should subsequently notify all recipients of purchase orders of the new delivery promise date.

The section on "Receiving" also improperly assigns responsibility to the user department for detecting and reporting visible damage. This should be done instead by receiving personnel, who are to note damage on the freight slip at the time of delivery (or even refuse delivery if damage is too severe). In the event that the item is complex or fragile, the receiving department might wish to have the user department complete the unpacking, at which time they could detect concealed damage--something they would then report to the PM, not directly to the vendor or freight service.

Finally, in the "Adding to Inventory" section, the inventory card should also reflect the purchase order number and purchase price, so as to facilitate reordering if needed later.

Level of Performance: Your corrections should have dealt with most of the same errors and corrected them in approximately the same way as was done in the model responses. If you missed some errors, or have any questions about any additional points you made, review the material in the information sheet, "Controlling the Steps of the Purchasing Cycle," pp. 27-50, or check with your resource person, if necessary.

Learning Experience III

OVERVIEW

After completing the required reading, critique the performance of an administrator in a given case study in providing for insurance coverage against casualty losses and liability claims.

You will be reading the information sheet, "Selecting the Proper Amount, Type, and Carrier of Insurance," pp. 63-72.

You may wish to arrange through your resource person to meet with an experienced administrator/ business manager and to interview this person concerning his/her experiences in selecting insurance to cover the institution's needs.

You will be reading the "Case Study," pp. 75-76, and critiquing the performance of the administrator described.

You will be evaluating your competency in critiquing the administrator's performance in providing insurance coverage by comparing your completed critique with the "Model Critique," pp. 77-78.

Activity

For information about how your institution can protect itself against the financial drain and impaired effectiveness arising from casualty losses or liability claims, read the following information sheet.

SELECTING THE PROPER AMOUNT, TYPE, AND CARRIER OF INSURANCE

Educational institutions, like homeowners, business firms, or industries, risk losing property or possessions from many causes, or being sued for damages arising from improper conduct of their activities. In a broad sense, the administrator should be concerned with risk management by identifying and removing hazards (through maintenance, health safety inspections, security precautions, emergency drills, etc.), or by appropriating contingency funds to pay for predictable damages such as broken glass. Through these constructive or preventive actions, the institution can ensure the continuity of its programs and minimize many types of financial loss.[3]

When risks are too large to be carried alone and they cannot be controlled through risk management, educational institutions should purchase insurance. Most institutions purchase two kinds of insurance: casualty insurance and liability insurance. They protect against catastrophic losses such as building destruction or vehicle accident, and against liability claims such as negligent injury to students under an instructor's care.

This information sheet will cover the basic principles you should follow in recommending the means by which, and the extent to which, the board should secure different types of insurance protection. It is not possible, however, for the information presented here to be very specific. Rather, you will need to undertake your own investigation into the applicable laws of your state, and conduct a review of the outcomes of recent litigation in either your geographical area or the area of your administrative endeavor (e.g., instruction, admissions, business). Moreover, this information sheet will not cover the various kinds of insurance often provided to employees as fringe benefits (e.g., health, major medical, dental, life), nor the group insurance

---

3. For a more complete discussion of maintenance, health, security, and safety, you may wish to refer to Manage Vocational Buildings and Equipment, part of the Competency-Based Vocational Education Administrator Module Series (Columbus, OH: The National Center for Research in Vocational Education, The Ohio State University, 1981).

policies for student accidents that the institution often acts as an enrollment agent for.

In selecting insurance coverage, you must decide the extent of the institution's "insurable interest." The interpretation of this concept varies from state to state. Generally speaking, determining insurable interest means deciding which losses the institution is likely to be legally responsible for. Some state laws make it illegal for boards to purchase insurance coverage against losses that do not involve an insurable interest (e.g., accidental damage to the chief administrator's private automobile, or an assault lawsuit against an instructor who, at the time of the alleged infraction, was not acting within the scope of his/her official duties). Each board (acting upon the advice of an administrator, perhaps you) must determine the extent of its insurable interest, based on the institution's particular situation and relevant statutory and common law. Beyond that, the administration needs to consider the morale benefits of standing behind its staff in the face of threatened lawsuits and providing whatever support it can, whether it be fully paid liability insurance, legal aid, or assistance in arranging, but not paying, for group liability coverage.

Because of the presence of so many variables, including legal ones, and the bewildering diversity of coverage options available, you might want to proceed by first engaging the services of an insurance consultant. This individual might be an attorney, a university business administrator or professor, an employee of a local financial institution, an official of a state government office, or a self-employed expert available on a contract basis. Regardless of title, his/her expertise, references, and experience will determine if he/she can provide your institution with the necessary assistance.

Let us now turn to a more detailed discussion of the two major types of insurance coverage--casualty and liability--and examine the factors you need to consider in each case. These include the sources of risk, the value of the assets you wish to protect, and the extent of coverage needed.

Casualty Insurance

Educational buildings and the furnishings in them represent a major investment for the institution or local district. If the institution has only one building, its loss would be catastrophic unless the building and its contents were adequately insured. As the number of buildings that an institution owns increases, the financial loss due to damage or destruction of any one building becomes less severe. However, students must still be transferred to other facilities (probably less suitable ones) until such time

as the board could acquire assets to rebuild. While the probability for suffering loss increases with the number of facilities, the actual probability that an institution will be unable to provide instruction decreases. Thus, small institutions with few buildings have the greater risk, while large ones with many buildings have a smaller risk.

Types of hazards and coverage available. Fire--whether ignited by arson, electrical defects, stored chemicals, lightning, or other causes--is the most obvious hazard to facilities. Other perils include damage by wind, hail, falling trees, explosion, riot, civil commotion, vandalism, aircraft, vehicles, smoke, and water damage. Less probable are damage by earthquake, floods, or land subsidence (due to subterranean mines or geologic activity).

In considering types of hazards you need to insure against, you need to consider the likelihood of that hazard occurring. As the possibility that a building will suffer a specific peril decreases, the cost of insurance to guard against that peril decreases. For example, old buildings are more prone to fire loss than newer ones. Such items as electrical wiring, boilers, and the general construction of modern schools favor the odds that there will not be a fire in the newer building. The odds of there being a fire are against the older building. Thus, the coverage selected should consider the probability that a specific building in a specific location will suffer damage from one or more of the given perils. The best advice on this matter will come from the insurance companies themselves, which have historical records of claims for different kinds of buildings in your area within the various peril categories.

Other specific types of coverages for buildings and their contents might be advisable if the board considers the risk of covering a sudden loss too great to bear alone. Coverage is available for boilers, furnaces, air compressors, water tanks, refrigeration units, air conditioners, and other stationary machinery. Actually, boiler insurance constitutes true risk management since most of the premium revenue is devoted to safety inspections and instruction designed to prevent, rather than compensate for, cataclysmic explosions and equipment damage. Glass breakage insurance is also available, but if the breakage rate is high, the insurance rate will also be high. Many schools have chosen instead to install break-resistant glass or plastic windows. Also available are "floater" coverages (sometimes known by the obsolete term, "inland marine insurance") that cover movable items, such as athletic or audiovisual equipment, wherever they may be located.

For the convenience of administrators, state agencies or insurance underwriters have often prepared standardized policies

offering a package of the coverages most often required. These packages are known as Public Institution Policies (PIP) or Standard Multiperil Policies (SMP). They constitute a good baseline from which to calculate policy costs or additional insurance needs, and usually are based on the preferred rates earned by safe, well-supervised schools and colleges.

Estimating the value of insured assets. The amount of insurance coverage purchased is based upon the insurable value of the building and its contents. The insurable value equals the replacement value at current prices ("current" when the insurance is purchased), less the cost of uninsurable (and usually indestructible) items such as foundations or underground pipes and wiring. The insurable value is determined based on an appraisal done by a professional appraiser, an architect, or a qualified contractor. Insurance companies should be consulted in the process of determining the appraised value, since they must ultimately accept the accuracy of the appraisal when the policy is written.

The appraisal of the building is kept separate from the appraisal of the contents, which probably will be insured at a higher rate. Equipment and other items that are built into the building are classified as part of the structure, however, and qualify for the lower rate. Their value can usually be readily assessed from inventory records.

Duplicate copies of the inventory of the building should also be maintained in the central office, not only in the building that is being insured. This will guard against the possibility of losing the inventory with the building should it be destroyed. Building inventories should be updated annually or whenever substantial additions are made to the contents of the building.

Liability Insurance

Liability insurance protects the board, administration, instructors, and other employees from claims against them resulting from torts, that is, acts of negligence or malpractice. Some states have held that schools and colleges are immune from liability; however, the recent trend of court rulings has been to increase institutional responsibility for property damage and personal injury arising from negligence.

A tort is defined as an act or an omission under the law that is related to the harm or injury another person suffers. A tort indicates that a wrong has been done by one party to another under obligations imposed by law (i.e., an institution is considered to hold a responsible relationship to the public for the

care of their students). In addition to accidents, which may result from acts of negligence, incompetence, or omission in doing one's duty, there are willful acts of commission that are also considered torts. These latter include assault and battery on a student, and libel or slander (untrue, defamatory comments outside of privileged communication circumstances). Libel describes such comments when made in writing; slander describes spoken comments.

Types of hazards and coverage available. Liability, as it affects education personnel, means that a person has an obligation to be responsible for the well-being of students during activities sponsored by the institution. For example, instructors are liable for the safety of students in their shops, clinics, or laboratories. If an accident occurs and instructors are found liable, they could be held responsible for paying any damages that result from the accident.

The two types of insurance that are normally purchased to cover an institution's liability risks are general and vehicle. General liability insurance covers such claims as injury from accidents resulting from negligence on the part of instructors and other institutional employees acting within the scope of their employment. However, this type of insurance does not cover employees of the institution who may themselves be injured as a result of negligence.

This latter type of protection is provided under worker's compensation insurance. Laws in every state provide for some type of worker's compensation plan that covers both the cost of treatment for work-related injuries as well as a stated percentage, often 60%-70%, of the wages that are lost. The insurance may be underwritten by either a private firm or a state agency--depending on state law--with the premiums paid by institution/employer. Worker's compensation is a valuable supplement to the usual sick leave fringe benefit. It benefits the institution also by fixing the limit of claims, therefore keeping premiums stable and rather low, and by precluding litigation that would otherwise be needed to establish negligence and liability.

Vehicle liability insurance covers accidents resulting from negligence on the part of school employees while they are driving a vehicle within the scope of their employment. (Fleet rates and coverage often are available if the school operates five or more vehicles.) Individual instructors who routinely use their automobiles to transport students should also consider securing additional coverage on their own policies. This would cover a situation in which there is some doubt concerning whether an accident occurred during the scope of one's employment or in the conduct of one's personal business. Cooperative education

teachers find themselves in this situation as they work with students both during and after school hours and on weekends.

Estimating cost of risky activities. In the case of casualty insurance, the task of assessing the value of property to be covered was straightforward. Such is not the case for liability coverage. Perhaps you should think first of the more common example of automobile liability coverage. In the first place, the state often requires that all motorists maintain a minimum amount (e.g., 50/200), providing maximum payment of $50,000 to any one claimant, and/or a total of $200,000 to all claimants for damage and/or injury arising from a single accident. If a motorist operates a vehicle likely to cause grievous harm to others (e.g., a large semi-truck or cement mixer) or to its own occupants (e.g., a van or bus) in the event of an accident, he/she would wisely choose to increase this coverage. Likewise, this motorist might opt for more protection if judges and juries in his/her locality had recently been generally deciding in favor of injured parties, and awarding high dollar settlements to them. The higher coverage options (100/300, 200/500, etc.) usually do not cost proportionally more.

The same principle for determining extent of coverage applies to other types of activities that should be protected from liability claims. Your decisions should be based on two factors: (1) the nature of actions required of institutional faculty and administrators, in terms of their likelihood of resulting in mishap, offense, or malpractice, and (2) the severity of the damage that might result, whether to property, health, reputation, or psychological well-being. (Consider the case of plastic surgeons and anesthesiologists. Because they incur more risk in the course of their practice than do, for example, veterinarians or optometrists, they generally carry more insurance coverage.)

There is another related area that deserves some attention. Surety bonding is a means of protecting the institution against erroneous or criminal performance of duties by those officials involved with monetary transactions. That is, the institution's accountants, purchasing agents, bursar/cashiers, payroll clerks, and so on, are "insured" so that if there is loss, misappropriation, or embezzlement of funds, the institution is reimbursed for this loss. The size of the bond will be based on both the amount of money handled and the opportunity for loss available to the incumbent of a given position. (Armored truck couriers clearly need more bonding protection than does the cashier at the institution's snack shop.)

Surety bonding should be combined with other types of "crime insurance" in order to provide comprehensive protection against burglary, robbery, and mysterious disappearance as well

as embezzlement, loss, and pilferage. If the same insurance firm underwrites both the bond and the crime coverage, then the institution need only prove it suffered a loss. Otherwise, the two insurance carriers could dispute whether the loss was caused by "inside" or "outside" perpetrators.

Alternatives to Commercial Providers of Insurance Coverage

Unlike individual citizens or owners of small businesses, administrators of public institutions have several options from which to choose besides the usual private, for profit, commercial insurance firms represented by local agents. Of course, these conventional underwriters might prove to be the most satisfactory in most cases, but you should be at least aware of the alternatives that might be available to you in your state.

The first of these is a state property insurance fund. As of 1976, five states[4] had established these. These funds cover the facilities of state, county, and local governments (e.g., court houses, city halls, libraries, hospitals) as well as schools and colleges. With the amount of reserves and the costs of administration limited by law (the latter at 5%-10% of the total premium income), these funds have been found to offer equivalent protection and service at a cost of only 50%-70% of the premiums charged by commercial companies.

Similar discounts can be achieved by consortial purchasing of insurance. Under this arrangement, many or all similar institutions (e.g., all of the colleges in a state, or all the public schools in a county) can negotiate as a consortium with a commercial insurance carrier--or, in fact, with a comparable consortium of insurance firms themselves. By offering stability and a large financial base, this institutional consortium can attract lower premiums by simplifying the administrative arrangements and reducing the sales efforts required of the underwriters.

A third choice that might surprise some people is the option of having no insurance, or at least, no insurance per se involving a written policy and the payment of premiums to a second party. If an institution is large enough and old enough, it might have accumulated sufficient capital reserves to allow it to absorb occasional losses. Because these reserves are often

---

4. Alabama, North Carolina, South Carolina, North Dakota, and Wisconsin, according to Richard Brown, Jr. in "Isn't It Time to Turn Insurance Dollars into Instructional Dollars?" Journal of Educational Finance. 1 (Winter 1976): 391-396.

invested and, thus, earn revenue, this practice constitutes a double-barreled savings strategy. This arrangement is known as "self-insurance," and can be developed as an institution matures by annually appropriating some funds to cover certain types of low, acceptable, or predictable losses. Few institutions are entirely self-insured, but many can benefit by using this strategy as much as is practical.

A fourth way, albeit one requiring a great deal of faith in politicians or voters, is to expect that uninsured losses will be replaced by revenue from bond issues, building levies, or legislative capital appropriations. This practice is sometimes justified based on the savings realized from not paying insurance premiums (a portion of which becomes the profit for the insurance carriers).

In the event that insurance is purchased from private carriers, the procedures for developing specifications, soliciting price quotations, and selecting vendors are basically the same as those followed in purchasing supplies and equipment. Insurance is usually one of those major, long-term, and sensitive transactions that requires board approval, following administrative deliberation of the alternatives and the presentation of a recommendation to the board.

One important difference is that competitive, sealed bidding is not generally used to determine the optimum price. Rather, it is a common practice for institutions to purchase insurance from local agents using written quotations. One rationale for this seemingly inconsistent practice is that the board wishes to keep its funds in the hands of local agents rather than risk awarding contracts to low bidders from outside the district or service area. While it is generally true that a good portion of the support for institutions comes from the entire state, and that they have no obligation to favor local agents, there is still persuasion from local sources to keep the business there, using the justification that better service will be provided to the school. One means of resolving the issue is to seek bids (see sample 10) from a local group of insurance companies, who agree to divide commissions in proportion to the coverage each provides. The bids may be informal or formal--as the board wishes--so long as there are assurances that the best coverage will be provided at the least cost to the institution and taxpayers.

Another rationale for waiving formal bidding rests on the assumption that insurance rates are not allowed to vary that much anyway. Institutional rates for insurance are usually determined under educational institution schedules that have been developed by rating bureaus and approved by state or regional commissions. For example, the rate for fire insurance takes into account whether the building is fire resistive or nonresistive, its

SAMPLE 10

INVITATION FOR INSURANCE BIDS

ANYTOWN VOCATIONAL SCHOOL
123 Main Street
Ourtown, USA 54321

1. The Board of Education of Anytown Vocational School will receive bids for district insurance coverage at Ourtown. Bids must be submitted before 2:00 p.m. on February 29, 1999. Bids will be opened at 2:00 p.m., February 29, 1999. All bids must be sealed and clearly identified on the outside of the envelope as "Insurance Bid."

2. Basic coverage desired is as follows:

   A. Building and Content Insurance
   B. General Public Liability
   C. Vehicle Insurance
   D. Boiler and Machinery
   E. Fidelity Bond and Blanket Honesty Bond
   F. Worker's Compensation
   G. All Risk Inland Marine
   H. Umbrella Policy

3. In addition to the above basic coverage, alternate coverage described elsewhere in this invitation will be considered.

4. Bidding companies must have a minimum Best's Rating of A+.

5. All policies must be nonassessable.

6. Coverages requested are to be provided by means of the Standard Multiperil Policy, said policy (package) to include as many of the individual coverages as possible.

7. The Board of Education reserves the right to reject any or all bids, and the right to award the bid(s) to the agency(s) whose proposal(s), in the opinion of the board, best meet the needs of the district.

8. Bids should be submitted on the forms provided. Bid should be based on an annual premium, with the understanding that it is the intent of the insured to maintain the insurance in force for a three (3)-year period. Bidding companies to guarantee bid premium for first year.

location in the community, the quality of the fire department and water supply, and the experience record of losses for the class of risk. In some cases, conditions within the building increase the risk of fire. If these are corrected, some premium discounts can be allowed because of the reduction of the risk. While certain changes that reduce risks may be costly, the increased safety to students within the building usually makes them necessary, even though the premium savings will not recover the cost for several years.

Periodic Review of Protection

Like so many other areas of administrative practice, the provision of insurance coverage should also be evaluated and revised at planned intervals, and at other times when new needs are recognized. An obvious reason to reexamine the amount of insurance in force is that an institution is always making new purchases. In addition, its current property changes in value (equipment and supplies usually depreciate or deteriorate, whereas buildings often appreciate or, at least, their replacement cost will rise).

In the case of liability protection, certain types of accidents might become more prevalent, or new kinds of malpractice or other torts might come to be recognized more often by the courts. Earlier, this information sheet presented information about the effect of rising court settlements to injured or aggrieved parties. Moreover, the immunity from litigation formerly granted to public officials is gradually being revoked by legislation, and this needs to be taken into account when insurance requirements are reviewed.

Also, actions that reduce the chance of loss might also have been taken. In many institutions, driver safety programs have been implemented; fire protection equipment has been upgraded; school or campus security forces have been employed; anti-intrusion devices have been installed; field trip or shop procedures have been revised; or similar measures have been taken that either theoretically or empirically have the effect of reducing casualties to persons or property.

The important point is that, because of these changes, your reviews must be periodic, preplanned, and thorough, involving persons with the necessary expertise. The adoption of this and the practices presented earlier should go far to provide the protection from loss of funds and property that the public deserves.

You may wish to arrange through your resource person to meet with and interview an administrator/business manager with considerable experience in selecting insurance for his/her educational institution. Before the interview takes place, you should prepare a list of questions you wish to have answered, such as the following:

- Who in the institution is involved in the insurance selection process? Why?
- What types of insurance do they consider? What sources?
- What criteria do they use to evaluate the various insurance options?
- What problems have they encountered relative to insurance? How were these resolved?

The following "Case Study" describes the process used by a vocational education administrator in developing an insurance plan for his institution. Read the situation, and critique in writing the performance of the administrator described.

CASE STUDY

Dr. Carlos Ortega became the vocational education director of High City High School two years ago, on the eve of the construction and equipping of a multi-million dollar vocational education wing of the main school building. Because of his experience in business affairs, and because so many of the school district's assets are now related to the vocational area, he was asked by Dr. Christina Schroeder, the district superintendent, to recommend for the board of education a comprehensive insurance protection package.

In spite of the press of his other duties, Dr. Ortega began work on this assignment right away and asked for the aid of the assistant superintendent for business, Glenna Rasor. She assisted him by providing available inventories of equipment and construction data on all the district's buildings, and by directing him to sources of related data. Together, they also examined institutional safety records for reports of such occurrences as vehicle accidents, shop injuries, and fires. Dr. Ortega also studied lab, shop, and field trip procedures; cooperative education and work/study agreements; patterns of vehicle use; maintenance procedures; recent renovations involving burglar alarms and sprinkler systems; and the employment screening records of all personnel who handle institutional funds in any way.

For part of this research, Dr. Ortega was assisted by a team of three individuals hired by the district at his and Ms. Rasor's suggestion. The team included a real estate appraiser, an insurance professor from the state university, and an attorney specializing in civil cases.

Based on their analysis of the data he had accumulated, Dr. Ortega drafted a report for Dr. Schroeder, listing several forms of coverage and his estimates of the cost of each alternative. After he and Dr. Schroeder had reviewed their various choices, they selected the apparent best means to provide the protection needed. At that point, Dr. Ortega prepared the final recommendation for her to present to the board. The major provisions were these: (1) commercial insurance for equipment, general public liability, professional malpractice for faculty and staff, and bonding for key fiscal employees; (2) worker's

compensation to be provided by the state-funded plan; and (3) "self-insurance," using the institution's reserve funds, for buildings.

Once the board approved the plan, Dr. Ortega continued to work with the purchasing office to oversee the advertising for bids for the commercial part of the insurance package. When the bids were received, he and the university professor/consultant compared them and recommended that a large firm from the state capital, the low bidder by about three percent, be selected as underwriter. However, the board instead chose to contract with the second lowest bidder, a consortium of local agencies organized by the president of the county's chapter of an insurance professional association (who had also been a member of the school board five years ago).

After the board meeting, Dr. Schroeder publicly thanked Dr. Ortega for his efforts, which had by now taken about four months to complete. Beaming with pride at this compliment, he nevertheless wished to himself that neither he nor anyone else on the administrative team would have to look at another insurance policy for the next ten years. Now he had to get back to work on plans for that new agricultural mechanics building and its $200,000 worth of machine tools.

Compare your completed written critique of the "Case Study" with the "Model Critique" given below. Your response need not exactly duplicate the model response; however, you should have covered the same major points.

MODEL CRITIQUE

The case study describes what is practically a "textbook case" of how to go about providing good insurance coverage. Dr. Ortega worked from the beginning with appropriate fellow administrators and solicited the services of not just one, but three insurance consultants. He assembled data on the value of the school district's property, and the nature and likelihood of such risks as motor accidents, shop injury, or fire; and he examined those situations in which lawsuits might be brought against the school or its faculty and staff.

The final package that he and Dr. Schroeder developed drew on diverse resources for protection. They didn't put all their "eggs" (risks) into one "basket" (insurer), and they chose to save some premiums by using institutional reserve funds to protect against fairly unlikely losses to their real estate. However, vehicle insurance, both collision and liability, seems to have been omitted. Also, they could have opted for the cost of professional malpractice insurance to have been borne, at least in part, by the faculty and staff persons themselves. Not only would that save the district money, but it could also be argued that the board does not have a full "insurable interest" in claims brought against individuals.

Perhaps the bidding process did not need to have been as formal as the one they used, but it certainly followed the principles of fairness, consistency, and objectivity. The fact that the board did not follow the recommendation of Dr. Ortega and the consultant is not that surprising, nor is it irresponsible. The difference, after all, was only three percent. Further, it could be argued that the slightly higher cost of selecting a local insurer will be offset by better service, more frequent contact with the agents, lower cost of pursuing claims, and continued good relations with local citizens.

Of course, someone in the administration will need to be concerned with insurance matters before the decade is over. Perhaps the analysis will not take as much time as Dr. Ortega had to devote this first time, but a review at two- or three-year intervals (plus an appraisal and adding of that new ag mechanics building and its equipment) will be needed to ensure that both

the amount of insurance in force and the cost of coverage remain appropriate to changing conditions.

Level of Performance: Your completed written critique should have covered the same major points as the "Model Critique." If you missed some points, or have questions about any additional points you made, review the material in the information sheet, "Selecting the Proper Amount, Type, and Carrier of Insurance," pp. 63-72, or check with your resource person if necessary.

Learning Experience IV

FINAL EXPERIENCE

While working in an actual administrative situation, manage the purchase of equipment, supplies, and insurance.*

As part of your administrative responsibility, manage the purchase of equipment, supplies, and insurance for a vocational education institution or program. This will include--

- developing institutional/program purchasing policy documents
- designing procedures and controlling activities
- securing protection against claims and property losses

NOTE: As you complete each of the above activities, document your activities (in writing, on tape, through a log) for assessment purposes.

continued

*If you are not currently working in an actual administrative situation, this learning experience may be deferred, with the approval of your resource person, until you have access to an actual administrative situation.

FINAL EXPERIENCE continued

Arrange to have your resource person review any products developed under your leadership, and the documentation of your activities. If possible, arrange to have your resource person observe one instance in which you work with instructors and/or other administrators to manage purchasing activities.

Your total competency will be assessed by your resource person, using the "Administrator Performance Assessment Form," pp. 81-84.

Based upon the criteria specified in this assessment instrument, your resource person will determine whether you are competent in managing the purchase of equipment, supplies, and insurance.

Name _____

Date _____

ADMINISTRATOR PERFORMANCE ASSESSMENT FORM

Manage the Purchase of Equipment,
Supplies, and Insurance

Directions: Indicate the level of the administrator's accomplishment by placing an X in the appropriate box under the LEVEL OF PERFORMANCE heading. If, because of special circumstances, a performance component was not applicable, or impossible to execute, place an X in the N/A box.

	LEVEL OF PERFORMANCE					
	N/A	None	Poor	Fair	Good	Excellent
In preparing purchasing policies and procedures, the administrator:						
1. described the roles of key persons involved in purchasing.....	☐		☐	☐	☐	
2. ensured that the policies and procedures were consistent with other institutional policy statements, as well as with the general mission and objectives of the institution.....	☐		☐	☐	☐	
3. solicited and incorporated information and comments from other staff members involved in business transactions.....	☐		☐	☐	☐	
4. secured legal advice to ensure that institutional policies and procedures conformed with applicable laws and usual business practice.....	☐		☐	☐	☐	

	LEVEL OF PERFORMANCE					
	N/A	None	Poor	Fair	Good	Excellent
5. secured the necessary approval from board or appropriate officials.....	☐	☐	☐	☐		
6. provided copies of the policy and procedure documents to those persons mentioned therein, and made copies available to other interested persons.....	☐	☐	☐	☐		
In establishing control over purchases, the administrator completed each of the following tasks, or ensured their completion by others:						
7. prepared, revised, and/or made available needed forms.....	☐	☐	☐	☐		
8. required that all requisitions be directed to one purchasing office, which alone was authorized to issue purchase orders....	☐	☐	☐	☐		
9. checked all requisitions against budget limitations before issuing purchase orders.....	☐	☐	☐	☐		
10. submitted all requisitions for items exceeding a certain value or certain useful life for approval at the appropriate level.	☐	☐	☐	☐		
11. developed specifications for items or services, in conjunction with the user, before seeking price estimates.....	☐	☐	☐	☐		
12. sought sealed, competitive bids, when required by law, policy, or by the significance of the purchase.....	☐	☐	☐	☐		

	LEVEL OF PERFORMANCE					
	N/A	None	Poor	Fair	Good	Excellent
13. maintained proper ethical standards in relationships with vendors.....	☐	☐	☐	☐		
14. issued purchase orders and encumbered funds simultaneously.....	☐	☐	☐	☐		
In following through on purchases, the administrator completed each of the following tasks, or ensured their completion by others:						
15. maintained a "suspense file" or other system for checking with vendors or suppliers on overdue deliveries.....	☐	☐	☐	☐		
16. provided the person in charge of receiving with a copy of expected shipments and associated instructions.....	☐	☐	☐	☐		
17. secured reports from the receiving person so as to initiate payments.....	☐	☐	☐	☐		
18. distributed purchased items to requestor or to warehouse.....	☐	☐	☐	☐		
19. recorded purchases on inventory records.....	☐	☐	☐	☐		
In arranging for insurance coverage, the administrator completed each of the following tasks, or ensured their completion by others:						
20. determined in which areas the institution had a legal, "insurable interest" in the possible losses.....	☐	☐	☐	☐		

	LEVEL OF PERFORMANCE					
	N/A	None	Poor	Fair	Good	Excellent
21. identified the value of certain types of property and the risk of loss for each type.....	☐	☐	☐	☐		
22. estimated and compared the cost of various methods of insuring against risks.....	☐	☐	☐	☐		
23. periodically reviewed insurance costs, insurance losses, and property value changes, and adjusted coverage appropriately...	☐	☐	☐	☐		

Level of Performance: All items must receive N/A, GOOD, or EXCELLENT responses. If any item receives a NONE, POOR, or FAIR response, the administrator and resource person should meet to determine what additional activities the administrator needs to complete in order to reach competency in the weak area(s).

ADDITIONAL RECOMMENDED REFERENCES

Allen, Clifford H. School Insurance Administration. New York, NY: The MacMillan Company, 1965.

Brown, Richard, Jr. "Isn't It Time to Turn Insurance Dollars Into Instructional Dollars?" Journal of Educational Finance. 1 (Winter 1976): 391-396.

Candoli, J. Carl et al. School Business Administration: A Planning Approach. Second Edition. Boston, MA: Allyn and Bacon, 1978.

Finchum, R. N., and Viles, N. E. School Insurance: Managing the Local Program. Bulletin 1959, No. 23. Washington, DC: U.S. Government Printing Office, 1959.

Munsterman, Richard E. Purchasing and Supply Management Handbook for School Business Officials. Chicago, IL: Association of School Business Officials 1978.

National Association of College and University Business Officers. College and University Business Administration. Third Edition. Washington, DC: NACUBO, 1974.

New York State Education Department. Insurance: School Business Management Handbook No. 2. Albany, NY: The University of the State of New York, 1977.

New York State Education Department. Purchasing: School Business Management Handbook No. 5. Albany, NY: The University of the State of New York, 1979.

Roe, W. H. School Business Management. New York, NY: McGraw-Hill Book Company, 1961.

Singer, H. Halleck, and Micken, Charles M. The Law of Purchasing--A Guide for School Business Officials. Danville, IL: The Interstate Printers and Publishers, 1964.

COMPETENCY-BASED VOCATIONAL EDUCATION ADMINISTRATOR MODULE SERIES

Order No.	Module Title
LT 58B-1	Organize and Work with a Local Vocational Education Advisory Council
LT 58B-2	Supervise Vocational Education Personnel
LT 58B-3	Appraise the Personnel Development Needs of Vocational Teachers
LT 58B-4	Establish a Student Placement Service and Coordinate Follow-up Studies
LT 58B-5	Develop Local Plans for Vocational Education: Part I
LT 58B-6	Develop Local Plans for Vocational Education: Part II
LT 58B-7	Direct Curriculum Development
LT 58B-8	Guide the Development and Improvement of Instruction
LT 58B-9	Promote the Vocational Education Program
LT 58B-10	Direct Program Evaluation
LT 58B-11	Manage Student Recruitment and Admissions
LT 58B-12	Provide a Staff Development Program
LT 58B-13	Prepare Vocational Education Budgets
LT 58B-14	Manage the Purchase of Equipment, Supplies, and Insurance
LT 58B-15	Evaluate Staff Performance
LT 58B-16	Manage Vocational Buildings and Equipment

Additional modules are being developed through the Consortium for the Development of Professional Materials for Vocational Education. The Consortium is supported by the following member states: Florida, Illinois, Ohio, New York, North Carolina, and Pennsylvania.

RELATED MATERIALS

LT 58A	Guide to Using Competency-Based Vocational Education Administrator Materials
RD 141	The Identification and National Verification of Competencies Important to Secondary and Post-Secondary Administrators of Vocational Education
RD 142	The Development of Competency-Based Instructional Materials for the Preparation of Local Administrators of Secondary and Post-Secondary Vocational Education

For information regarding availability and prices of these materials contact—

Program Information Office
The National Center for Research
in Vocational Education
The Ohio State University
1960 Kenny Road
Columbus, Ohio 43210
(614) 486-3655
(800) 848-4825

OSU
The Ohio State University